



INVESTCORP MID-TIER FINANCIAL  
SERVICES INVESTMENT FUND PLC.



# 2018 ANNUAL REPORT

 **InvestCorp**  
Premier Investment Banking

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# MID-TIER FINANCIAL SERVICES INVESTMENT FUND



Safer Investment, High Returns

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 1st Annual General Meeting of InvestCorp Mid-Tier Financial Services Investment Fund PLC will be held on **Thursday July 11, 2019 at 12:00 noon** at the British Council, Accra, Ghana, where the following businesses will be transacted:

### AGENDA

1. To receive and consider for adoption the Financial Statements for the year ended December 31, 2018.
2. To consider the reports of the Directors and External Auditors in respect of the Financial Statements for the year ended December 31, 2018.
3. To fix and approve the remuneration of the Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To transact any other business necessary to be discussed at any Annual General Meeting.

Dated this day of June 19, 2019

### BY ORDER OF THE BOARD

SIGNED

.....  
**JLD & MB LEGAL CONSULTANCY**  
(COMPANY SECRETARY)

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### NOTE

A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member of InvestCorp Mid-Tier Financial Services Investment Fund PLC. A proxy form is enclosed with the accounts. Completed proxy forms should be lodged with the Company Secretary, JLD & MB Legal Consultancy, No. 1 Quartey Papafio Avenue, Airport Residential Area, Accra not less than two days before the meeting.

This serves as notice to all shareholders to attend.

# CHAIRMAN'S STATEMENT TO SHAREHOLDERS

## INTRODUCTION

Dear Shareholders,

I warmly welcome you to the first Annual General Meeting (AGM) of the InvestCorp Mid-Tier Financial Services Investment Fund (Mid-Tier Fund). We appreciate your belief in the Fund as a preferred product for your medium to long-term investment objectives. To the shareholders who joined us in 2019, we are glad to have you on this journey. We appreciate all institutional and individual investors who have been with the company since its inception. Your repeat patronage shows us that the Fund continues to create value that you appreciate - it will continue to serve your best investment interest.

In this report, I will give a short review of Ghana's economy in the past year and talk briefly about some of the recent developments in the financial sector. I will then talk about the performance of the Mid-tier Fund in 2018 and conclude with our outlook for this year, 2019.



## REVIEW OF GHANA'S ECONOMY

GDP growth slowed in 2018 to 6.3% compared to the 8.2% recorded in 2017, driven by the fall in the growth rate of the industrial sector. Prudent fiscal and monetary policies subdued inflationary pressures; driving headline inflation down to 9.4% at the end of 2018 from the 11.8% recorded in 2017. This enhanced the easing of the Monetary Policy Rate (MPR) to 17% by year end 2018 - a cumulative reduction by 300 basis points compared to the year-end 2017 rate.

The cedi (GHS) came under significant pressure within the second and third quarters of 2018, affected by US Fed rate hikes which resulted in a steady strengthening of the dollar (USD) over the period. The US Fed rate hikes contributed to capital outflow from emerging markets and developing economies like Ghana. Year-to-date (YTD) GHS depreciation against the USD ended the year at 8.39%, significantly higher than the 4.9% recording at year-end 2017. Pressure on the GHS was expected to ease within the first quarter of 2019 on the back of projected growth in Gross International Reserves.

Yields on short-term Treasury securities in 2018 experienced a downward trend as a result of the implementation of Government's medium-term debt strategy, that is, to shift its debt profile to longer dated instruments. On average, the 91-Day bill, 182-Day bill and the 1-Year note averaged 13.55% (14.03% in 2017), 14.09% (14.90% in 2017) and 14.96% (18.07% in 2017) respectively.

In 2018, the Bank of Ghana embarked on a comprehensive reform agenda which sought to clean up the banking sector and strengthen its regulatory and supervisory framework. The bank recapitalization exercise resulted in some mergers and the revocation of the licences of about 9 insolvent banks. The Central Bank has given indications that it will continue with the clean-up, shifting attention to other deposit-taking institutions as well as the operations of Non-Bank Financial Institutions (NBFIs). The Securities and Exchange Commission (SEC) also put in efforts to tidy up the asset management space and to make information easily accessible to the general public regarding investment banking and asset management firms.

## CHAIRMAN'S STATEMENT CONT'D

The Ghana Stock Exchange welcomed MTNGH (the first telecommunication company to get listed) unto the market after MTN successfully completed its IPO at 75Gp per share in September 2018. The local bourse ended the year recording YTD Composite Index return of -0.29%, whilst the Financial Stocks Index closed with a return of -6.79%.

### OUTLOOK FOR 2019

The Ghanaian economy is expected to expand by 7.6% in 2019, to be driven largely by the industrial sector and supported by an improved macroeconomic environment. Ghana's macro outlook is tilted toward lower inflation and interest rates. This implies that monetary policy is likely to continue to be accommodative. Inflation is expected to stay within Government's medium-term band of 8±2%, supported by a relatively stable Ghana cedi. The clean-up of the financial sector when completed is expected to improve credit to the private sector, accompanied by renewed investor confidence. We believe these developments will provide an opportunity for growth of the financial sector. The interest rate environment is expected to be stable and continue to support the inflationary environment. Fixed-income investments are thus projected to be attractive. Macroeconomic outlook within the short-term remains positive, and we expect stability in the coming months.

### THE FUND

The Fund ended 2018 with an annualized yield of 20.43%, outperforming the Government of Ghana 91-Day Treasury bill of 14.56%. Assets Under Management (AUM) stood at approximately GHS 14.5 million representing a 149% increase from the previous end of year value. The growth in the Fund's size was driven by the competitive return of the Fund and increase in the shareholder base from 269 to 468, representing a (74%) growth rate. We remain confident that the Fund will continue to post stellar results in 2019.

### CLOSING REMARKS

The Mid-Tier Fund continues to provide an opportunity for shareholders to benefit from a portfolio of high yielding fixed-income securities over the medium to long-term, while enjoying from the safety that comes with strategic asset allocation and diversification. We are interested in helping you sustain your wealth and are committed to working with you to build the discipline that is required to attain financial independence.

Thank you all.



.....  
Dr. Anthony Aubynn  
(Chairman)

## FUND MANAGER'S REPORT

### PERFORMANCE REVIEW

The InvestCorp Mid-Tier Fund's share price increased from GHS 2.0497 in 2017 to GHS 2.4682 in 2018. In spite of the various challenges in the financial sector and the fixed income market, the Fund achieved an annualized yield of 20.43%. This outperformed the Government of Ghana (GoG) 91-day treasury bill of 14.56% by a significant spread of 587 basis points.

### FUND GROWTH

The Fund witnessed a significant increase in shareholder base growth of 468 from 269 in 2017 representing a 74% increase. This consequently led to an increase in the Assets Under Management (AUM) of GHS 14.5 million representing 149% increase from the previous end of year value.

The Fund posted an inflow of GHS 12,540,651.06 and outflow of GHS 3,327,070.53 in 2018, representing a net inflow of GHS 9,213,580.53. Despite the liquidity challenges and instability faced in the financial sector, the Fund was able to keep outflow under 30% of inflow. We attribute this to prudent investment decisions made to safeguard investors' funds and provide competitive returns as well as liquidity options including a credit line with the custodian (Standard Chartered Bank). This reinforced investors' confidence in investing in the Fund leading to the progressive growth.

### PORTFOLIO ALLOCATION / MIX

The InvestCorp Mid-Tier Fund invests in a diversified portfolio of Fixed-income instruments issued by Financial Services Institutions, Statutory Agencies, Government of Ghana (GoG) and Corporations.

The Fund's exposures to the various securities as at December 31 are as follows: Non-Bank Financial Institutions (54%), Banks (36%), GoG (7%), Corporate Debt (3%) and Statutory Agencies (3%).

### INVESTMENT OUTLOOK

The Fixed-income market came under significant pressure in 2018 as a result of the combined effect of the banking sector clean-up and the depreciation of the cedi.

The increase in the US federal reserve rate resulted in huge capital outflow from Emerging Markets (EMs) including Ghana which caused a tumble on the bond market.

As the Bank of Ghana (BoG) continues the clean-up of the Financial sector, we expect a more stable sector with stronger fundamentals and improved liquidity to support the economy.

Following the presentation of the 2019 budget which revealed government's intention to issue Century/Eurobonds to finance strategic infrastructure in the country, we expect a slowdown in the depreciation of the cedi and significant stability in the bond market.

### FUND STRATEGY

Our investment strategy for 2019 therefore is to increase the Fund's holding in carefully selected medium term tradeable bonds. The Fund will significantly decrease its exposure to NBFIs while increasing its holding in banks with strong balance sheets. We are confident that the Fund will continue to post impressive performance and remain one of the best performing mutual funds in Ghana.

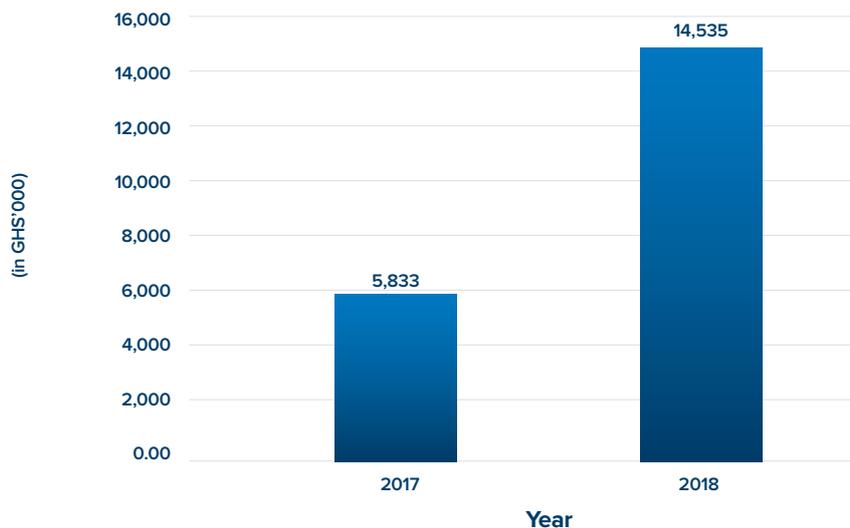
**Fund Manager**  
**InvestCorp Asset Management Ltd.**

## PERFORMANCE SUMMARY AS AT DECEMBER 2018

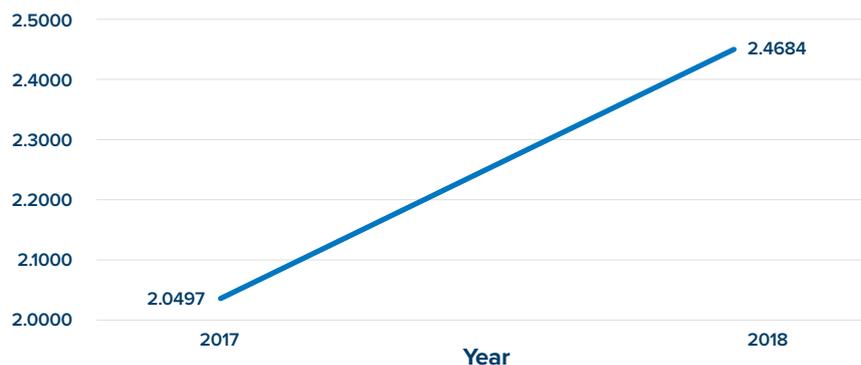
### FUND INFORMATION

Year	Assets Under Management	Total Shares	Share Price	Annualized Yield	91-day T-bill rate
2017	GHS 5,833,147.56	2,845,803.24	2.0497	24.48%	13.35%
2018	GHS 14,535,345.06	5,888,512.89	2.4684	20.43%	14.56%

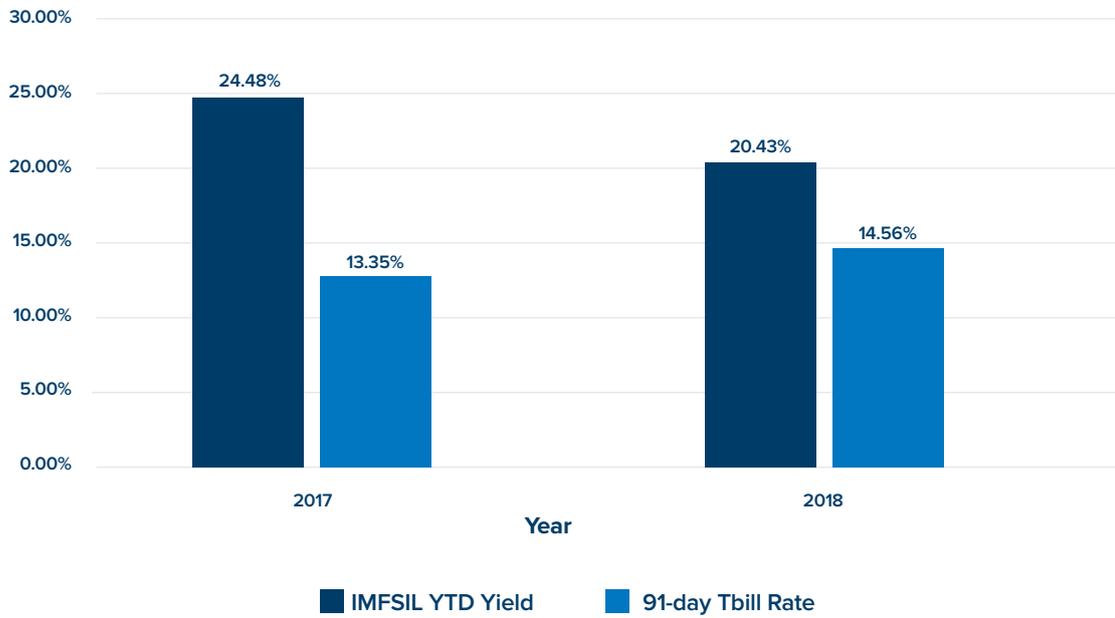
### ASSETS UNDER MANAGEMENT (GHS)



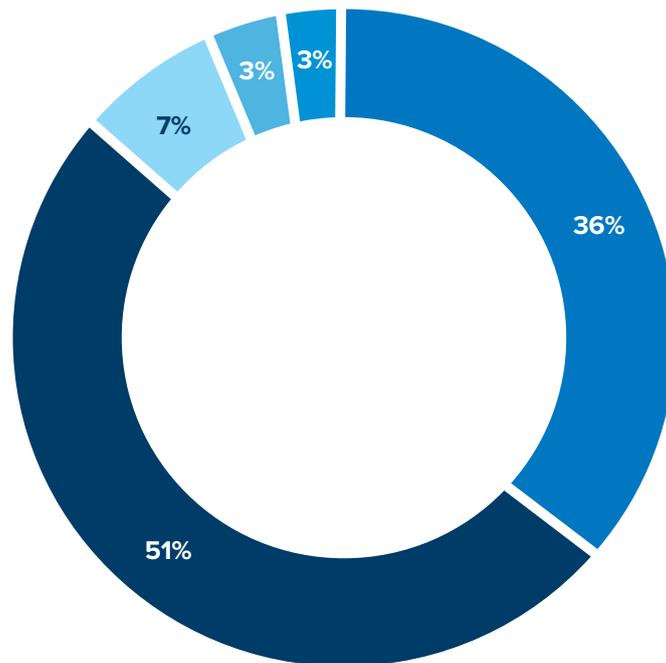
### SHARE PRICE (GHS)



## PERFORMANCE OF THE FUND



## ASSET ALLOCATION



 Non-Bank Financial Services GHC 7,362,903.27	 GoG Securities GHC 998,357.71	 Statutory Agency GHC 495,703.48	 Corporate Debt GHC 423,021.42	 Banks GHC 5,214,027.40
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## REPORT OF THE DIRECTORS

### TO MEMBERS OF INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

The Directors present their report and the financial statements of the Fund for the year ended 31 December 2018.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements that give a true and fair view of InvestCorp Mid-Tier Financial Services Investment Fund Limited, comprising the statement of financial position at 31 December 2018, 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 Industry Act, 2016 (Act 929), the Securities and Exchange Commission Regulations, 2003 (LI 1728) 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 2018 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 Fund is registered to carry on the business of mobilising funds for investment in Commercial Paper, Fixed or Time Deposits, Listed Bonds and other instruments, with the aim of achieving an attractive risk-adjusted return for its investors over the medium to long-term. There was no change in the nature of business of the Fund during the year.

#### APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of InvestCorp Mid-Tier Financial Services Investment Fund Limited, as identified in the first paragraph, were approved by the Board of Directors on 29th March 2019 and signed on their behalf by:



.....  
DIRECTOR



.....  
DIRECTOR



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### OPINION

We have audited the financial statements of InvestCorp Mid-Tier Financial Services Investment Fund Limited ("the Fund"), which comprise the statement of financial position at 31 December 2018, 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, as set out on pages 17 to 34.

In our opinion, these financial statements give a true and fair view of the financial position of InvestCorp Mid-Tier Financial Services Investment Fund Limited at 31 December 2018, 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 Industry Act, 2016 (Act 929), the Securities and Exchange Commission Regulations, 2003 (LI 1728) 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 Fund 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 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 (CONT'D)

### TO THE MEMBERS OF INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

#### KEY AUDIT MATTERS CONT'D

#### Impairment losses on financial instruments (GHS 540,589)

Refer to Note 15 to the financial statements

The key audit matter	How the matter was addressed in our audit
<p>International Financial Reporting Standards (IFRS) 9: Financial Instruments was implemented by the Fund on 1 January 2018. This new standard requires the Company to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Fund.</p> <p>The carrying value of financial instruments within the scope of IFRS 9 ECL may be materially misstated if judgements or estimates made by the Fund are inappropriate.</p> <p>The most significant areas where we identified greater levels of management judgement are:</p> <ul style="list-style-type: none"> <li>• Significant Increase in Credit Risk (SICR) – the criteria selected to identify a SICCR are highly judgmental and can materially impact the ECL recognised for certain portfolios where the life of facilities is greater than 12 months</li> <li>• ECL modelling – inherently judgmental and complex modelling techniques used to estimate ECLs which involve determining Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD)</li> <li>• Qualitative adjustments – adjustments to model-driven ECL results are raised to address model limitations or emerging risks and trends in underlying portfolios which are inherently judgmental</li> <li>• Disclosure quality – the disclosures regarding the Fund's application of IFRS 9 are key to understanding the change from International Accounting Standards 39 as well as explaining the key judgments and material inputs to the IFRS 9 ECL results</li> </ul> <p>Given the high degree of estimation uncertainty and significance of the balance, we considered impairment allowances on financial instruments to be a key audit matter.</p>	<p>Based on our risk assessment and industry knowledge, we have examined the impairment charges and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.</p> <p>Our procedures included the following</p> <ul style="list-style-type: none"> <li>• Assessing the completeness and accuracy of key data inputs used in the ECL calculation through testing relevant data</li> <li>• Assessing and testing the effectiveness of the SICR thresholds employed by the Fund</li> <li>• Assessing the appropriateness of the Fund's methodology for determining the ECL</li> </ul> <p>Assessing whether the disclosure of the key judgements and assumptions made was sufficiently clear.</p>



## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### TO THE MEMBERS OF INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

#### OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Report of the Directors 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 the Securities Industry Act, 2016 (Act 929) 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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





## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### TO THE MEMBERS OF INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

#### 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern
- 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 & 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 comprehensive income 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/2019/038)  
CHARTERED ACCOUNTANTS  
13 YIYIWA DRIVE, ABELINKPE  
P O BOX GP 242  
ACCRA



..... 2019



# INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	2018 GH¢	2017 GH¢
<b>Assets</b>			
Investments	10	13,953,424	5,769,729
Cash and Cash Equivalents	9	60,636	72,477
<b>Total Assets</b>		<b>14,014,060</b>	<b>5,842,206</b>
<b>Liabilities</b>			
Accrued Expenses	14	22,088	8,739
<b>Total Liabilities</b>		<b>22,088</b>	<b>8,739</b>
<b>Total Net Assets</b>		<b>13,991,972</b>	<b>5,833,467</b>
<b>Equity</b>			
Stated Capital	11	11,329,227	4,434,840
Retained earnings	13	2,662,745	1,398,627
<b>Total Equity</b>		<b>13,991,972</b>	<b>5,833,467</b>



DIRECTOR



DIRECTOR

The notes on pages 17 to 34 form an integral part of these financial statements.

INVESTCORP MID-TIER FINANCIAL SERVICES  
 INVESTMENT FUND LIMITED  
**STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 GH¢	2017 GH¢
Interest Income	7	2,000,363	1,046,304
Expenses	8	(195,656)	(88,474)
Impairment Losses on Financial Instruments	15	(540,589)	-
<b>Increase in Net Assets Attributable to Holders of Redeemable Shares From Operations</b>		<b>1,264,118</b>	<b>957,830</b>

The notes on pages 17 to 34 form an integral part of these financial statements.



# INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢	2017 GH¢
Balance at 1 January		5,833,467	3,229,946
Adjustment on initial application of IFRS	9	-	-
Adjusted balance at 1 January		5,833,467	3,229,946
Increase in Net Assets Attributable to Holders of Redeemable Shares		1,264,118	957,830
<i>Contributions and Redemptions by Holders of Redeemable Shares:</i>			
Issue of redeemable shares during the year	11	12,540,701	3,677,128
Redemption of redeemable shares during the year	11	(5,646,314)	(2,031,437)
		6,894,387	1,645,691
<b>Balance at 31 December</b>		<b>13,991,972</b>	<b>5,833,467</b>

The notes on pages 17 to 34 form an integral part of these financial statements.

# INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢	2017 GH¢
<b>Cash flows from operating activities</b>			
Increase in net assets		1,264,118	957,830
<i>Adjustments for:</i>			
Interest Income	7	(2,000,363)	(1,046,304)
Impairment Losses on Financial Instruments	15	540,589	-
		(195,656)	(88,474)
<i>Changes in:</i>			
Accrued Expenses	14	13,349	8,739
		(182,307)	(79,735)
Interest Received	7	1,051,346	658,550
<b>Net Cash Generated from Operating Activities</b>		<b>869,039</b>	<b>578,815</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investments	10	(16,288,204)	(9,296,584)
Redemption of Investments	10	8,512,937	7,112,226
<b>Net Cash used in Investing Activities</b>		<b>(7,775,267)</b>	<b>(2,184,358)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Issue of Redeemable Shares	11	12,540,701	3,677,128
Payments on Redemption of Redeemable Shares	11	(5,646,314)	(2,031,437)
<b>Net Cash from Financing Activities</b>		<b>6,894,387</b>	<b>1,645,691</b>
Net Increase in Cash and Cash Equivalents		(11,841)	40,148
Cash and Cash Equivalents at 1 January	9	72,477	32,329
<b>Cash and Cash Equivalents at 31 December</b>	<b>9</b>	<b>60,636</b>	<b>72,477</b>

The notes on pages 17 to 34 form an integral part of these financial statements.



# INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

InvestCorp Mid-Tier Financial Services Investment 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 Commercial Paper, Fixed/Time Deposits, Listed Bonds and other instruments, with the aim of achieving an attractive risk-adjusted return for its investors over the medium to long-term.

The investment activities of the Fund are managed and administered by InvestCorp Asset Management Limited, the Fund Manager, with Standard Chartered Bank Ghana 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. This is the first set of the Company's annual financial statements in which IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been applied. Changes to significant accounting policies are described in Note 3.

#### 2.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention.

#### 2.3 Functional and Presentation Currency

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

### 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 Interest Income

##### Policy applicable before 1 January 2018

Interest income is 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3.1 Interest Income (cont'd)

#### Policy applicable before 1 January 2018

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

#### Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income consist of interest on financial assets measured at amortised cost.

### 3.2 Fees

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

### 3.3 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.

### 3.4 Income 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% (2017:8%).

### 3.5 Financial Assets and Liabilities

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

#### i. Recognition and initial measurement

The Fund initially recognises short term investments on the date on which they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.5 Financial Assets and Liabilities (cont'd)

#### ii. Classification

#### Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified and measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI)

#### Business model assessment

In making the assessment of the objective of the business model a financial asset is held, the Fund considers all the relevant information about how the business is managed, including;

- the documented investment strategy and the execution of this strategy in practise. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of any related financial liabilities or expected cash outflows or realising cash flows through the sale of the assets
- how the performance of the portfolio is evaluated and reported to the Fund's management
- the risk that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed
- how the investment manager is compensated e.g. whether compensation is based on the fair value of assets managed or contractual cash flows collected ; and
- the frequency, volume and timing of sales of financial assets prior periods, the reasons for such sales and expectation about future sales activity

Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has one business model.

- Held-to-collect business model: this includes cash and cash equivalent and investment in fixed deposits. These financial assets are held to collect contractual cash flow.

#### Assessment whether contractual cash flow is SPPI

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.5 Financial Assets and Liabilities (cont'd)

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instruments. This includes assessing whether the financial asset contains contractual terms that could change the timing of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that could change the amount or the timing of cash flow
- leverage features
- prepayment and extension features
- terms that limits the Fund's claims to cash flow from specialised assets (e.g. non-recourse features); and
- features that modify considerations of time value of money (e.g. periodical reset of interest rates)

#### Financial assets and liabilities - Policy applicable before 1 January 2018

The Fund classifies its financial assets in the following categories: held to maturity, and loans and receivables.

Management determines the classification of its financial assets at initial recognition.

##### (a) Loans and receivables

Loans and receivables comprise cash and bank balance, accounts receivable and other assets.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, and that the Fund did not intend to sell immediately or in the near term.

Loans and receivables were initially recognised at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method less any impairment losses.

##### (b) Held-to-maturity investments

'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 as at FVTPL or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments 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.

#### Financial liabilities

Financial liabilities that are not classified at fair value through profit or loss (FVTPL), fall into this category. They are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised costs. Financial liabilities measured at amortised cost include other liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.5 Financial Assets and Liabilities (cont'd)

#### iii. Derecognition

##### Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Fund is recognised as a separate asset or liability.

##### Financial liabilities

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

### 3.6 Impairment of Financial Assets

#### Policy applicable from 1 January 2018

The Fund recognises loss allowance for ECLs on financial assets measured at amortised cost. The Fund measures loss allowance at amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

## NOTES TO THE FINANCIAL STATEMENTS

### 3.6 Impairment of Financial Assets (cont'd)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to the credit risk.

#### Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial assets.

#### Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

#### Policy applicable before 1 January 2018 – objective evidence of impairment

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against receivable. Interest on the impaired assets continued to be recognised. If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.7 Changes in significant Accounting Policies

The Fund has initially applied IFRS 9 and IFRS 15 from 1 January 2018. A number of other standards are also effective from 1 January 2018 but they do not have a material effect on the Fund's financial statements.

As permitted by the transition provision of IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of the standard.

IFRS 15 did not have a significant impact on the financial statements.

Except for the changes below, the Fund has consistently applied the accounting policies as set out in Notes 3.1 to 3.6 to all periods presented in these financial statements.

#### IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

1. Impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognised when losses were incurred. The Fund did not previously report any incurred losses; and
2. Separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method. Previously, the Fund disclosed this amount in the notes to the financial statements

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures which are applied to disclosures about 2018, but have not generally been applied to the comparative information.

#### (a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### (a) Classification of Financial Assets and Financial Liabilities (cont'd)

The table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and liabilities as at 1 January 2018.

Financial Assets	Sub Note	Original Classification under IAS 39	New Classification under IFRS 9	Original Carrying Amount under IAS 39	New Carrying Amount under IFRS 9
				GH¢	GH¢
Cash And Cash Equivalents	9	Loans and Receivables	Amortised Cost	72,477	72,477
Investments	10	Held to Maturity	Amortised Cost	5,769,729	5,769,729
Total Financial Assets				5,842,206	5,842,206
Financial Liabilities		Original Classification under IAS 39	New Classification under IFRS 9	Original Carrying Amount under IAS 39	New Carrying Amount under IFRS 9
				GH¢	GH¢
Accrued Expenses	14	Amortised Cost	Amortised Cost	8,739	8,739

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Financial Assets	IAS 39 Carrying Amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 Carrying Amount at 1 January 2018
		GH¢	GH¢	GH¢
Cash and Cash Equivalents	72,477	-	-	72,477
Investments	5,769,729	-	-	5,769,729

### (b) Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to financial assets measured at amortised cost and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Fund has determined that the application of IFRS 9's impairment requirements at 1 January 2018 amounts were not material.



## NOTES TO THE FINANCIAL STATEMENTS

### (c) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in statement of changes in net assets attributable to holders of redeemable shares as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39
- the Fund has used the exemption not to restate comparative periods
- the determination of the business model within which a financial asset is held have been based on the facts and circumstances that existed at the date of initial application

### 4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The standards stated below do not have any impact on the Fund.

#### IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

#### IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

#### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

#### Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the

The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

#### Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)

The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI)

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted

### 5. 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 financial instruments; and
- periodically review and modify investments and investment strategies as market conditions change

The Fund's investment portfolio comprises investment in Government securities, commercial paper and fixed deposits.

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 invested include credit risk, market risk and liquidity risk.

#### 5.1. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 5.1. Credit Risk (Cont'd)

#### 5.1.1 Concentration of Credit Risk

The investment manager reviews the credit concentration of investments held based on counterparties and industries. The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date was:

	2018 GH¢	2017 GH¢
<i>Financial institutions:</i>		
Investments	13,953,424	5,769,729
Cash at bank	60,636	72,477
	<b>14,014,060</b>	<b>5,842,206</b>

#### 5.1.2 Amounts Arising from ECL

Impairment of cash and cash equivalents, and investments has been measured on a 12-month expected credit loss basis and reflects the maturities of the exposures. The Fund considers that these exposures have low credit risk. However, if the asset were credit-impaired, then the estimate of loss would be based on a specific assessment of expected credit shortfall and on the original effective interest rate.

Impairment loss recognised for financial assets during the year was GH¢ 540,589 (2017: Nil)

Credit quality of held-to-maturity investments and cash and cash equivalents

The Fund's exposure to credit risk in respect of investments and cash and cash equivalents is minimal. The Fund's bank balances are held with banks which are reputable and highly regulated. In addition, the Fund's investments are held with highly reputable organisations.

#### 5.1.3 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 2018 GH¢	Carrying value 2017 GH¢
<i>Financial Assets not Measured at Fair Value</i>		
Fixed Deposits	12,464,320	5,769,729
Government Securities	1,489,104	-
Bank Balances	60,636	72,477
<i>Financial Liabilities not Measured at Fair Value</i>		
Accrued Expenses	22,088	8,739

## NOTES TO THE FINANCIAL STATEMENTS

### 5.2 Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect the Fund'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 Commercial Paper, Fixed or Time Deposits, Listed Bonds and other instruments, with the aim of achieving an attractive risk-adjusted return for its investors over the medium to long-term. The Fund's market risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place. The Fund diversifies its portfolio with the approval of its Board of Directors.

#### 5.2.1 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:

- 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); and
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk)

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 as at 31 December 2018. Items are allocated to time periods by reference to the earlier of the next contractual interest rate repricing and maturity dates.

#### At 31 December 2018

	Up to 1mth GH¢	1-3mths GH¢	3-12mths GH¢	1-5yrs GH¢	Total GH¢
Investments	952,983	9,384,068	2,127,269	1,489,104	13,953,424
<b>Total Financial Assets</b>	<b>952,983</b>	<b>9,384,068</b>	<b>2,127,269</b>	<b>1,489,104</b>	<b>13,953,424</b>

#### At 31 December 2017

	Up to 1mth GH¢	1-3mths GH¢	3-12mths GH¢	1-5yrs GH¢	Total GH¢
Investments	1,560,901	1,876,818	2,332,010	-	5,769,729
<b>Total Financial Assets</b>	<b>1,560,901</b>	<b>1,876,818</b>	<b>2,332,010</b>	<b>-</b>	<b>5,769,729</b>



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## NOTES TO THE FINANCIAL STATEMENTS

### 5.2 Market Risk (Cont'd)

#### 5.2.2 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.

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 Standard Chartered Bank Ghana 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.

### 5.3 Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations 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 holds investments in government security and fixed deposits from financial institutions. 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 15% of the total net assets of the Fund.

## NOTES TO THE FINANCIAL STATEMENTS

### 5.3 Liquidity Risk (cont'd)

#### 5.3.1 Non-Derivative Financial Assets held for Managing Liquidity Risk

The table below presents the assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

2018	Up to 1mth GH¢	1-3mths GH¢	3-12mths GH¢	1-5years GH¢	Total GH¢
<b>Liabilities</b>					
Accrued expenses	(22,088)	-	-	-	(22,088)
	(22,088)	-	-	-	(22,088)
<b>Assets</b>					
Investments	952,983	9,384,068	2,127,269	1,489,104	13,953,424
Cash and Cash Equivalents	60,636	-	-	-	60,636
Assets held for Managing Liquidity Risk	1,013,619	9,384,068	2,127,269	1,489,104	14,014,060
Liquidity Gap	<b>991,531</b>	<b>9,384,068</b>	<b>2,127,269</b>	<b>1,489,104</b>	<b>13,991,972</b>
2017	Up to 1mth GH¢	1-3mths GH¢	3-12mths GH¢	1-5years GH¢	Total GH¢
<b>Liabilities</b>					
Accrued Expenses	(8,739)	-	-	-	(8,739)
	(8,739)	-	-	-	(8,739)
<b>Assets</b>					
Held-to-maturity investments	1,560,901	1,876,818	2,332,010	-	5,769,729
Cash and Cash Equivalents	72,477	-	-	-	72,477
Assets held for Managing Liquidity Risk	1,633,378	1,876,818	2,332,010	-	5,842,206
Liquidity Gap	<b>1,624,639</b>	<b>1,876,818</b>	<b>2,332,010</b>	<b>-</b>	<b>5,833,467</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 6. CAPITAL MANAGEMENT

At 31 December 2018, the Fund had GH¢11,329,227 (2017: GH¢ 4,434,840) 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 statement of financial position 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

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

	2018 GH¢	2017 GH¢
Total liabilities	22,088	8,739
Less: Cash and Bank Balances	60,636	72,477
Net debt	(38,548)	(63,738)
Equity	13,991,972	5,833,467
Net Debt to Equity Ratio	-0.28%	-1.09%

### 7. INTEREST INCOME

Interest on Matured Fixed Deposits	1,051,345	658,550
Interest on Fixed Deposits yet to Mature	949,018	387,754
	<b>2,000,363</b>	<b>1,046,304</b>

### 8. EXPENSES

Management Fee	97,828	44,237
Administrative Fee	97,828	44,237
	<b>195,656</b>	<b>88,474</b>

The Fund appointed InvestCorp Asset Management 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 1% 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¢195,656 (2017: GH¢88,474).

Included in administrative fee is vat exclusive audit fee of GH¢17,000 (2017: GH¢13,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 9. CASH AND CASH EQUIVALENTS

	2018 GH¢	2017 GH¢
Barclays Bank of Ghana Limited	60,636	72,477
	<b>60,636</b>	<b>72,477</b>

### 10 INVESTMENTS

At 1 January	5,769,729	3,197,617
Transition Adjustment	-	-
Restated Opening Balance	5,769,729	3,197,617
Additions	16,288,204	9,296,584
Redeemed on Maturity	(8,512,937)	(7,112,226)
Accrued Income	949,018	387,754
Less: Impairment Losses on Financial Instruments	(540,589)	-
At 31 December	<b>13,953,424</b>	<b>5,769,729</b>
91-days Fixed Deposit	710,411	-
182-days Fixed Deposit	9,977,663	4,210,961
1 year Fixed Deposit	881,774	1,171,014
2 year Government of Ghana Note	410,000	-
3 year Government of Ghana Bond	200,000	-
7 year ESLA bond	475,450	-
7 year Government of Ghana bond	349,108	-
	13,004,406	5,381,975
Interest Receivable	949,018	387,754
	<b>13,953,424</b>	<b>5,769,729</b>
Current	12,464,320	5,769,729
Non-Current	1,489,104	-
Total	<b>13,953,424</b>	<b>5,769,729</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 11. STATED CAPITAL

	Number of Shares	2018 GH¢	Number of Shares	2017 GH¢
Shares in Issue at 1 January	2,829,431	4,434,840	1,965,486	2,789,149
Shares Issued during the year	5,492,644	12,540,701	1,976,372	3,677,128
	8,322,075	16,975,541	3,941,858	6,466,277
Shares Redeemed	(2,489,079)	(5,646,314)	(1,112,427)	(2,031,437)
Shares in Issue at 31 December	<b>5,832,996</b>	<b>11,329,227</b>	<b>2,829,431</b>	<b>4,434,840</b>

Included in share amount redeemed during the year is exit fees of GH¢ 17,708 (2017: GH¢ 9,989). The Fund charges its clients exit fees when investments are liquidated any time before three years. Exit fees charged are paid to InvestCorp Asset Management Limited (Fund Manager). Exit fees ranges from 0% to 1% of the amount disinvested as detailed below:

Years invested		Percentage Applied as exit fee
0 - 1	-	1.00%
1 - 2	-	0.75%
2 - 3	-	0.50%
Above 3	-	0.00%

### 12. RELATED PARTY TRANSACTIONS

InvestCorp Asset Management 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. Transactions with the Fund Manager during the year have been outlined below.

	2018 GH¢	2017 GH¢
Management fee	97,828	44,237
Administrative fee	97,828	44,237
Exit fee	17,708	9,989
	<b>213,364</b>	<b>98,463</b>

For details of the significant terms of this related party relationship, refer to Note 8 and Note 11.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 13. RETAINED EARNINGS

	2018 GH¢	2017 GH¢
At 1 January	1,398,627	440,797
Adjustment on Initial Application of IFRS 9	-	-
Adjusted Balance at 1 January	1,398,627	440,797
Increase in Net Assets	1,264,118	957,830
<b>At 31 December</b>	<b>2,662,745</b>	<b>1,398,627</b>

### 14. ACCRUED EXPENSE

Accrued Management and Administrative fee	<b>22,088</b>	<b>8,739</b>
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### 15. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2018 GH¢	2017 GH¢
Opening Balance	-	-
Charge for the year	540,589	-
Closing Balance	<b>540,589</b>	-



## CORPORATE INFORMATION

### INVESTCORP MID-TIER FINANCIAL SERVICES INVESTMENT FUND LIMITED

#### BOARD OF DIRECTORS

Dr. Anthony Aubynn (Chairman)  
Anthony Ebow Spio (Director)  
Matilda Asante-Asiedu (Director)  
Henry Sunkwa-Mills (Director)  
Kwabena Ofori Apeagyei (Director)

#### FUND MANAGER

InvestCorp Asset Management Ltd.  
No.15, Wawa Drive  
North Dzorwulu  
Accra

#### REGISTERED OFFICE

No.15, Wawa Drive  
North Dzorwulu  
Accra

#### CUSTODIAN

Standard Chartered Bank Ghana Ltd.  
Head Office  
87 Independence Avenue

#### COMPANY SECRETARY

JLD & MB Legal Consultancy  
No. 18 Quarthey Papafio Avenue  
Airport Residential Area  
P.O. Box 410  
Accra

#### AUDITOR

KPMG  
Chartered Accountants  
13 Yiyiwa Drive, Abelenkpe  
P.O. Box 242  
Accra

#### BANKERS

Barclays Bank Ghana Ltd.  
Independence Avenue  
Accra

# CUSTODIAN'S REPORT



June 11, 2019

Board of Trustees  
Investcorp Mid- Tier Fund  
15 Wawa Drive, North Dzorwulu  
P.O.BOX GP 22493  
Accra

## REPORT OF THE CUSTODIAN TO INVESTORS OF INVESTCORP MID-TIER FUND – DECEMBER 31, 2018

Standard Chartered Bank Ghana Limited confirms the investment holding for Investcorp Mid-Tier Fund as at December 31, 2018 as follows:

<i>FIXED DEPOSIT</i>		
Security Name	Position	Valuation
182 DAY DALEX FIN LTD FD AT 22.50 PCT FM 30.08.2018 TO 28.02.2019	291,114.52	313,366.84
182 DAY DALEX FIN LTD FD AT 23.00 PCT FM 27.09.2018 TO 28.03.2019	162,250.48	172,065.52
182 DAY DALEX FIN LTD FD AT 23.00 PCT FM 03.10.2018 TO 03.04.2019	400,000.00	422,684.93
365 DAY MEDREACH CO LTD AT 30.00 PCT FM 09.01.2018 TO 09.01.2019	157,300.00	203,455.70
182 DAY ACCESS BANK FD AT 15.00PCT FM 17.09.2018 TO 18.03.2019	2,000,000.00	2,087,123.29
182 DAY BEST POINT S&L LTD FD AT 15.80 PCT FM 6.08.2018 TO 04.02.2019	163,769.09	174,261.08
182 DAY DALEX FIN LTD FD AT 23.00 PCT FM 26.10.2018 TO 26.04.2019	457,212.24	476,515.36
182 DAY BEST POINT S&L LTD FD AT 15.80 PCT FM 23.07.2018 TO 21.01.2019	206,216.55	220,677.70
182 DAY IZWE LOANS GH LTD FD AT 22.00 PCT FM 03.10.2018 TO 03.04.2019	210,000.00	221,391.78
365 DAY BAYPORT FIN SVS LTD FD AT 23.00 PCT FM 28.05.2018 TO 28.05.2019	300,000.00	341,210.96
182 DAY IFS FIN SVS LTD FD AT 25.00 PCT FM 30.08.2018 TO 28.02.2019	410,674.9	445,554.14
1YR BAYPORT S&L LTD FD AT 23.00 PCT FM 25.01.2018 TO 25.01.2019	260,000.00	315,867.95
182 DAY BOND S&L LTD FD AT 21.50 PCT FM 03.10.2018 TO 03.04.2019	334,045.87	351,754.88
182 DAY CAL BANK FD AT 14.60 PCT FM 17.09.2018 TO 18.03.2019	1,500,000.00	1,563,600.00
1YR MEDREACH CO LTD COMM PAPER AT 30.00 PCT FM 24.01.2018 TO 24.01.2019	171,600.00	219,836.05
182 DAY BOND S&L FD AT 21.50 PCT FM 24.08.2018 TO 22.02.2019	805,723.91	867,422.49
182 DAY REPUBLIC BANK LTD FD AT 15.00 PCT FM 17.09.2018 TO 18.03.2019	1,500,000.00	1,565,342.47

### Standard Chartered Bank Ghana Limited

Head Office,  
High Street, Accra  
P O Box 768, Accra – Ghana  
SC.com/gh

Tel 0302 610750 / 0302 633393  
Fax: 0302 667751 / 0302 663560

Dr. Emmanuel Oteng Kumah (Chairman) . Mansa Nettey (Managing Director) .Kwaku Nimfah-Essuman  
Henry D.K Baye . David H. Adepoju . Felix E. Addo . Prof. Akua Kuenyehia

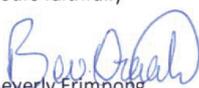
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182 DAYS IFS FIN SVS GH LTD FD AT 25.00 PCT FM 03.10.2018 TO 03.04.2019	310,000.00	329,109.59
182 DAY CDH S&L LTD FD AT 25.50 PCT FM 28.08.2018 TO 26.02.2019	333,657.36	363,028.35
<b>FIXED DEPOSIT</b>		
<b>Security Name</b>	<b>Position</b>	<b>Valuation</b>
365 DAYS IZWE LOANS FD AT 24.00 PCT FM 08.02.2018 TO 08.02.2019	950,000.00	1,154,263.01
91 DAYS CDH S&L CO GH LTD FD AT 24.50 PCT FM 21.12.2018 TO 22.03.2019	290,846.14	292,993.62
91 DAYS CDH S&L CO GH LTD FD AT 24.50 PCT FM 14.12.2018 TO 15.03.2019	281,524.35	284,925.78
91 DAYS CDH S&L CO GH LTD FD AT 24.50 PCT FM 04.12.2018 TO 05.03.2019	150,271.82	153,096.11
<b>Classification Total</b>	<b>11,214,410.00</b>	<b>12,539,547.60</b>
<b>GOVERNMENT BONDS</b>		
<b>Security Name</b>	<b>Position</b>	<b>Valuation</b>
REPUBLIC OF GHANA - 19.75 PCT BDS 25.03.2024 GHS50000	349,108.00	366,534.63
E.S.L.A PLC - 19 PCT SNR BDS 23.10.2024 GHS100000 ESL001	480,407.00	495,954.24
REPUBLIC OF GHANA - 19.5 PCT BDS 18.10.2021 GHS1000	200,000.00	207,607.14
REPUBLIC OF GHANA - 19.5 PCT NTS 05.10.2020 GHS1000	200,000.00	209,107.14
REPUBLIC OF GHANA - 19.5 PCT NTS 09/11/2020 GHS1000	210,000.00	215,625.00
<b>Classification Total</b>	<b>1,439,515.00</b>	<b>1,494,828.15</b>

<b>SUMMARY</b>		
<b>Description</b>	<b>Market Value</b>	<b>PCT of Total</b>
<b>FIXED DEPOSIT</b>	<b>12,539,547.60</b>	<b>89.35</b>
<b>GOVERNMENT BOND</b>	<b>1,494,828.15</b>	<b>10.65</b>
<b>CASH BALANCE</b>	<b>0.89</b>	<b>0.00</b>
<b>TOTAL</b>	<b>14,034,376.63</b>	<b>100.00</b>

Thank You.

Yours faithfully

  
 Beverly Frimpong  
 Head, Securities Services

**Standard Chartered Bank Ghana Limited**

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 P O Box 768, Accra – Ghana  
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Dr. Emmanuel Oteng Kumah (Chairman) - Mansa Nettey (Managing Director) - Kweku Nimfah-Essuman  
 Henry D.K Baye - David H. Adepoju - Felix E. Addo - Prof. Akua Kuenyehia

## PROXY FORM

# INVESTCORP MID-TIER FUND PLC

I/We..... of  
 .....being a  
 member/members of InvestCorp Mid-Tier Fund PLC 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 Company to be held at the **Accra British Council, on Thursday, July 11, 2019 at 12:00 p.m prompt** and 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.

RESOLUTION	FOR	AGAINST
1 To receive and consider for adoption the Financial Statements for the year ended December 31, 2018.		
2 To consider the Director's Report and the Report of the Auditors for the year ended December 31, 2018.		
3 To fix and approve remuneration of the Directors		
4 To authorize the Directors to fix the remuneration of the Auditors		

Signed this.....day.....2019

Shareholder's Signature.....





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