



**kiddiFUND**  
**Mutual Fund Limited**  
ANNUAL REPORT '19

# Notice of Virtual Annual General Meeting

Notice is hereby given that the 7th Annual General Meeting of shareholders of kiddiFUND Mutual Fund Limited will be held virtually via Zoom on Wednesday, 7th October, 2020 at 10:00am to transact the following:

1. To receive and consider the Reports of the Directors and Auditors for the year ended 31st December, 2019.
2. To receive and consider audited Financial Statements for the year ended 31st December, 2019.
3. To authorize the Directors to fix the remuneration of the Auditors for the year 2020.
4. To transact any other business appropriate to be dealt with at any Annual General Meeting.

## SPECIAL BUSINESS

To amend the Company's Regulations/Constitution to accommodate the holding of Annual General Meetings by electronic or virtual means where the Directors deem it necessary to do so.

**Dated this 15th day of September, 2020**

**BY ORDER OF THE BOARD**



ARZ CONSULT LIMITED  
P. O. BOX 8206  
ACCRA-NORTH

**ARZ Consult Ltd  
(Company Secretary)**



## Registering for and participating in the AGM via Zoom

### TO REGISTER FOR THE AGM:

Shareholders who wish to participate in this year's AGM are to register through the following link:

<https://us02web.zoom.us/meeting/register/tZAof-yqzlpHtDRbur2TBdtuiuYIN8PNoXp>

After registering you will receive a confirmation email containing information about joining the AGM.

### To participate in the AGM:

1. Raise your hand to either second a motion or ask a question.

- \* Click "Participants".
- \* Click "Raise hand" at the bottom of the participants' dialogue box.

#### On mobile:

- \* Tap the three dots labelled "More" on the far right of the controls bar.
- \* Tap "Raise hand" to raise your hand.

*You will be unmuted to perform the action for which your hand was raised.*

2. Use the polling feature to vote for or against a motion.

### On PC and mobile:

- \* When it is time to vote, the poll will appear on your screen.
- \* Tap/click on your preferred option (FOR or AGAINST) to cast your vote.

When voting ends, the results will be shared on your screen.

Members and/or their proxies may attend and participate in the Annual General Meeting of kiddiFUND Mutual Fund Limited virtually.

A member of the Company entitled to attend and vote is entitled to appoint a Proxy to attend the virtual meeting and vote in his/her stead. A proxy need not be a member of the company. A form of proxy must be completed and emailed to arzconsultgh@gmail.com or deposited at NDK Capital Limited's office, (first Floor of the Omanyee Aba Building, opposite Accra Sports Stadium), not later than 48 hours before the appointed time of the meeting. A proxy form is provided in the Annual Report.

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## Corporate Information

**BOARD OF DIRECTORS** Mr. William Mensah  
Mr. Enoch Kofi Ampratwum  
Mrs. Sarah Brainoo Arhin  
Mrs. Rose Mawunyo Kley Gomez

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**REGISTERED OFFICE** No.11 Sunflower Road  
East Legon  
Accra Ghana

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**INVESTMENT MANAGER** NDK Capital Limited  
Omanyeba Building  
No. 001 28th February Road  
Christianborg - Osu, Accra  
P. O. Box GP 3387  
Accra - Ghana

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**CUSTODIAN** Stanbic Bank (Ghana) Limited  
Stanbic Heights  
Plot 215, South Liberation  
Road Airport City, Accra

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**AUDITORS** John Kay and Co.  
Chartered Accountants  
7th Floor, Trust  
Towers  
Farrar Avenue, Adabraka  
P.O. Box 16088  
Airport, Accra

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**BANKERS** Ecobank Ghana  
Limited Ring Road  
Central  
Accra

# Report of the Board of Directors to the members of kiddiFUND Mutual Fund Limited

In accordance with section 136 of the Companies Act, 2019 (Act 992), the Directors have the pleasure in presenting their report and the financial statements of the fund for the year ended 31 December 2019.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for the preparation of the financial statements; including Statement of Assets and Liabilities and income and Distribution Accounts that give a true and fair view in accordance with International Financial Reporting Standards (IFRS), Unit Trust and Mutual Fund Regulations, 2001, (L.I. 1695) and in the manner required by the Companies Act, 2019 (Act 992) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for overseeing the Fund's financial reporting process.

In preparing the financial statements, the Board of Directors is 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 management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The directors have made an assessment of the fund's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

## NATURE OF BUSINESS

kiddiFUND Mutual Fund Limited is a company registered and domiciled in Ghana. It is licensed by the Securities and Exchange Commission of Ghana to operate as an authorized mutual fund.

kiddiFUND Mutual Fund Limited ("The Fund") is an open-end mutual fund which shall invest primarily in equity securities listed on the Ghana Stock Exchange (GSE) and fixed income securities. kiddiFUND is a fund that seeks to achieve current income, liquidity and capital preservation for its shareholders.

## INTEREST REGISTER

During the year under review, no interest was registered.

## AUDITORS REMUNERATION

In accordance with Section 140 of the Companies Act, 2019 (Act 992), Messrs JOHN KAY & Co have agreed to continue in office as auditors of the fund. The auditors of the Fund agreed with the directors to charge a fee exclusive of VAT, NHIL and GET Fund. Refer to note 14 of this financial statement for the amount payable.

## CORPORATE SOCIAL RESPONSIBILITY

The fund did not contribute to corporate social responsibility during the year under review.

## BUILDING THE CAPACITY OF DIRECTORS

The details of the steps taken to build the capacity of the Directors to discharge their duties included a session to be trained on corporate governance.



The Board of Directors present the report and audited financial statements of kiddiFUND Mutual Fund Limited for the year ended 31 December, 2019.

### FINANCIAL STATEMENT AND DIVIDEND

The results for the year are set out in the financial statements from pages 10-15. The directors recommend the payment of no dividend (2018: GH¢ Nil) in the year under review. The directors consider the state of the company's affairs to be satisfactory.

#### i. Investment distribution:

Total investment as at 31 December is made up as follows:

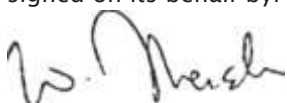
	2019 GH¢	2018 GH¢
Equities	704,314	838,610
Government Notes and Bonds	348,007	924,954
Corporate Bonds	238,786	238,540
Non-sovereign bond	570,285	561,679
Fixed Deposits	332,044	543,234
Local Government Security	21,979	-
Cash	52,470	387,909
<b>Total Investments</b>	<b>3,267,885</b>	<b>3,494,926</b>

#### ii. Below are the asset allocation percentages for the year ended:

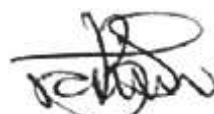
	2019 (%)	2018 (%)
Equity/Shares	22	24
Government Notes and Bonds	41	26
Corporate Bonds	7	7
Non-sovereign bond	17	16
Fixed Deposits	10	16
Local Government Security-	1	-
Cash	2	11
	<b>100</b>	<b>100</b>

### APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the company were approved by the Board of Directors on 29th May, 2020 and signed on its behalf by:



Director



Director

# Chairman's Statement to Shareholders of kiddiFUND Mutual Fund

## INTRODUCTION

### Distinguished Shareholders,

I warmly welcome you all to the 7th Annual General Meeting of the kiddiFUND Mutual Fund. On behalf of the Board of Directors, I would like to express my profound gratitude for your unwavering commitment to kiddiFUND and your continued trust in the Fund as an avenue to meet your children's educational needs.

I will commence with an overview of the Ghanaian Economy in 2019, then give you an account of the performance of your Fund in 2019 and conclude with the outlook for the 2020 financial year.

## REVIEW OF GHANA'S ECONOMY

Data from the Ghana Statistical Service (GSS) shows that economic growth slowed to 4.3% in June, 2019 and closed at 5.6% in September, 2019 as compared to a 7.4% growth in the third quarter of 2018. Non-oil GDP growth for the quarter increased by 4.6%, lower than 8.5% for the same period in 2018.

Government continued its fiscal consolidation efforts which resulted in a budget deficit of GH¢713.53 million (0.21% of GDP) at the end of August, 2019 against end-2019 target of 4.2% of GDP. The primary balance also recorded a surplus of GHS117.21 million. Ghana remains focused to achieve the end-2019 target for overall fiscal rule of 5% of GDP despite the broad-based shortfalls in revenue outturn.

Inflation as measured by year-on-year (y/y) Consumer Price Index (CPI) trended downwards from 9.4% in December 2018 to 7.9% in December

2019. This was as a result of the tight monetary stance of the central bank of Ghana. The base year for measuring CPI was changed from 2012 to 2018 and 40 more items added to the basket.

The Ghana cedi depreciated against the USD, GBP and EUR in 2019 with a YTD depreciation of 14.89%, 12.52% and 17.73% respectively. The high levels of depreciation was largely due to the repatriation of funds by foreign investors.

Ghana's fixed income market recorded significant growth in new issuances and secondary market trading. This performance was fueled by the poor performance of the equity market and a decrease in the appetite of investors toward risk. Trades on the secondary market went up by 44%/y to GHS 55.72 billion in 2019 from GHS 37.87 billion recorded in 2018. Interest rates increased towards the end of the yield curve, and traded within the band of 14.70% - 23% in 2019 compared to 14.59% - 20% in 2018.

The benchmark GSE Composite Index ended the year 2019 at 2,257.15 with a negative return of 12.25%. Trading activity for the year 2019 surged as total volume traded increased by 1795% to

3.79 billion. The GSE-CI recorded negative returns month-on-month in 2019 compared to 2018.

## FUND PERFORMANCE

kiddiFUND ended 2019 with a price of GHS 0.27 per share representing a return of 4.40% for 2019 as against 4.09% in 2018. Since the Fund's inception in 2012 the Fund has recorded a cumulative return of 165.90%. The Fund remained heavily skewed towards fixed income securities which accounted





for 78% of the Fund. The Net Asset Value of the Fund at the end of 2019 stood at GHS 3,148,136, an 8% decrease compared to GHS 3,421,210 recorded at the end of 2018.

## 2020 OUTLOOK

Emerging economies like Ghana who rely heavily on export of raw materials (cocoa, gold, oil), could see a drop in revenue due to the fall in commodity prices. As supply chains and manufacturing activities are disrupted by the COVID-19 pandemic, demand-side shocks are also likely to increase as lock-downs and social distancing protocols lead to cancellation of events and retail activities. Projected real GDP growth rate is expected to decline from 6.8% to approximately 1.5% in the event of a partial lock-down of the country according to the Ministry of Finance.

We expect Ghana to ease its monetary policies, amidst uncertainties regarding the spread of the virus could cause a shortage in food supply and a rise in inflation. The rise in food inflation may however, be tamed by a reduction in fuel prices due to the drop in crude oil prices on the international market. Inflation is projected to fall within the medium-term target band of  $8\pm 2$  percent by the end of 2020.

The Ghanaian Cedi is expected to be under pressure, as investors reduce risk in their portfolios due to the negative investor sentiments across the globe. However, a decline in the demand for foreign currency for the importation of goods and services given border closures is expected to cushion the pressure on the cedi.

Given the dovish monetary policy stance by BoG and the likelihood of investors switching from holding risky assets (equities) into perceived safe- haven assets (GoG bonds), we expect long-term

yield to remain stable at current levels. Yields are however expected to tilt downwards at the front to the mid-end of the curve.

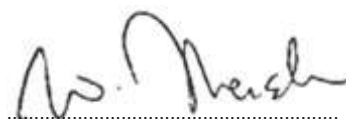
We expect the stock market to remain bearish as investors continue to sell off equities, largely on the account of economic uncertainties. Given the elevated economic uncertainty arising from the effects of the COVID-19 pandemic, there is less visibility for earnings estimates for the year 2020 and bottom lines of companies are expected to drop.

## CLOSING REMARKS

We recognize that returns on the Fund have been low over the last two years. The return on the portfolio would have been higher but for the abysmal performance of the Ghana Stock Exchange since 2018. We intend to take more positions in GoG securities in order to offset stock market losses. We also intend to hold stocks of companies with good fundamentals in the portfolio to increase diversification benefits and gains during a rebound.

Although returns on the portfolio in 2020 is still threatened by potential effects of COVID-19, nonetheless, we expect our current strategy to achieve significant growth in income to outperform last year's returns.

We assure you of our commitment to work diligently to protect your investment and to ensure sustained growth and competitive returns.



William Mensah

Chairman

# Fund Manager’s Statement to Shareholders of kiddiFUND Mutual Fund

## ECONOMIC ENVIRONMENT IN 2019

Growth slowed further in 2019 due to the persistent slow growth in the industry sector. High lending rates and tight fiscal conditions restricted business investments. Data released by the Ghana Statistical Service (GSS) showed that economic growth slowed to 4.3% in June, 2019 and closed at 5.6% in September, 2019, as compared to 7.4% in the third quarter of 2018. Non-oil GDP growth for the quarter increased by 4.6%, lower than 8.5% for the same period in 2019.



### FISCAL PERFORMANCE

Overall, government budgetary operations resulted in a budget deficit of GH¢713.53 million (0.21% of GDP) at the end of August, 2019 against end-2019 target of 4.2% of GDP. The primary balance also recorded a surplus of GHS 117.21 million. Ghana remains on track to achieve the end-2019 target for overall fiscal rule of 5% of GDP despite the broad-based shortfalls in revenue outturn.

### HEADLINE INFLATION

Inflationary pressures eased considerably in 2019 aided by the tight monetary stance of the central bank. Inflation was reported at 7.9% in December, 2019 as against 9.4% recorded in 2018. The base year for the consumer price index was however changed to 2018 from 2012 and the new basket was expanded from 267 to 307 items.



### CURRENCY PERFORMANCE IN 2019

The Ghanaian Cedi depreciated against the three major trading currencies; US dollar (USD), Euro (EUR) and British Pound (GBP). As at the end of 2019, the Ghana Cedi had cumulatively depreciated by 14.89% to the US dollar, 12.52% to the Euro and 17.73% to the British Pound.



### THE FIXED INCOME MARKET IN 2019

Ghana’s fixed income market recorded significant growth in new issuances and secondary market trading. This performance was fueled by the poor performance of the equity market and a decrease in the appetite of investors towards risk. Trades on the secondary market went up by 44% to GHS 55.72 billion from the GHS 37.87 billion recorded in 2018.



## FUND PERFORMANCE AND PORTFOLIO STRUCTURE

The objective of the kiddiFUND Mutual Fund is the preservation and enhancement of shareholders' wealth to meet medium and long term financial goals. The Fund remained heavily skewed towards fixed income securities which accounted for 78% of the Fund. This represented an increase of about 200bps over the 2018 fixed income securities holdings of 76% of the Fund. Investments were held in Treasury Bonds (41%), Non-Sovereign Bonds (17%) and Corporate Bonds (7%). Others included Fixed Deposits (10%), Local Government Security (1%), and Cash (2%).

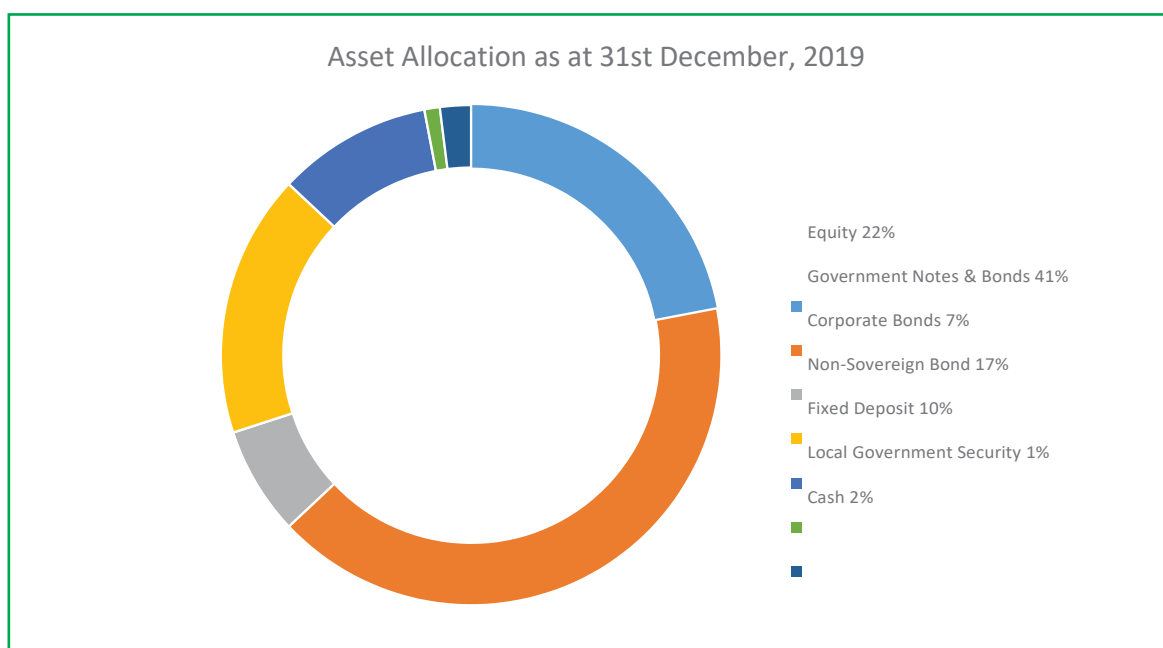
Exposure to equities however decreased from 24% to 22% in 2019. Investment in equities were spread across six sectors. These were Banking Sector (14.46%), Insurance Sector (0.99%) and Food, Beverage and Household (3.19%). The

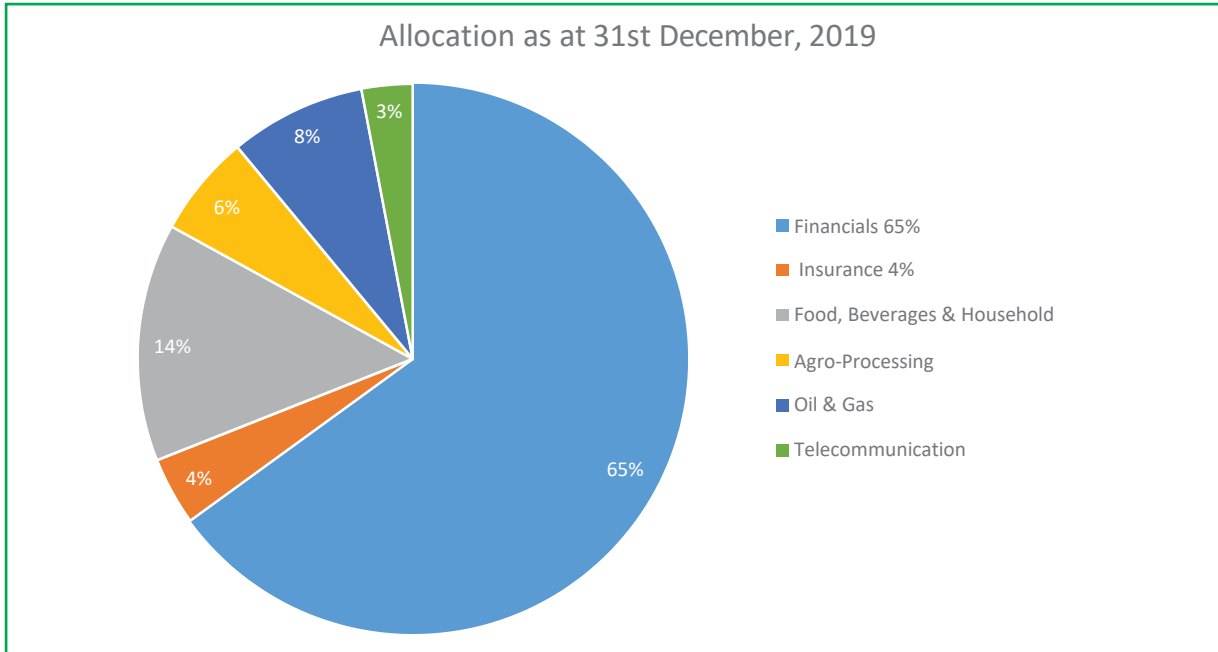
other sectors were Agro-Processing (1.25%), Oil & Gas (1.79%) and Telecommunication (0.67%).

The Fund opened the year at a price of GHS 0.25 and closed at a price of GHS 0.27. This represented 4.40% (versus 4.09% in 2018) return for the year and a cumulative return of 165.90% from the Fund's inception in 2012 to the end of 2019, representing an average annual return of 15.15% over the last seven (7) years. The Fund's Net Asset Value declined by 8% y/y (versus 14.0% y/y in 2018) to GHS 3.15 million in 2019.

Returns on the Fund like other Funds in this category were affected by the general decline in interest rates on the fixed income market. Additionally, the exceptionally poor performance of the equity market eroded the gains made on the fixed income portion of the FUND as the stock market closed 2019 losing 12.25%.

Historical Performance							
Since Inception (2012-2019)	2013	2014	2015	2016	2017	2018	2019
165.90%	25.23%	17.97%	11.59%	14.40%	28.35%	4.09%	4.40%





### ASSETS UNDER MANAGEMENT

The Net Asset Value of the Fund as at the end of 2019 was GHS 3,148,136 representing a decline of 8% from a value of GHS 3,421,210 at the end of 2018. Total inflow was GHS 430,360 compared to outflow of GHS 843,219 representing net flows of GHS -412,859.

### OUTLOOK AND STRATEGY FOR 2019

The spread of the COVID-19 pandemic from China to countries across the globe has caused significant disruption to life, business and economies. Lock-downs of countries could lead to global demand and supply shocks coupled with unfavorable commodity prices on the international market. Key economic variables of most countries including Ghana are likely to deteriorate in 2020. The uncertainties surrounding the duration of the spread of the virus makes it difficult to determine the extent of the effect on economic output in 2020. The government of Ghana, anticipates real GDP growth

rate to decline from 6.8% to 2.6% as infected persons cases increases, 1.5% in the event of a partial lock-down and <1.5% in the event of a total lock-down.

Although budget deficit was well managed in 2019 primarily through expenditure cuts, we doubt the sustainability of such expenditure controls in 2020 especially being an election year. Expected expenditure pressures during election years coupled with expected expenditure to combat the effects of the COVID-19 pandemic are likely to result in a significantly higher budget deficit compared to the year 2019. In view of the expected loosening of government's hitherto tight fiscal stance to contain the effects of COVID-19 on the economy, projected fiscal deficit has been revised upwards from 4.7% to 7.8% of GDP.

Measures taken by the government such as the 2% reduction in the primary reserve requirement to 8%, reduction of Capital Conservation Buffer (CCB) for banks from 3% to 1.5% and the reduction in MPR by





150 basis points to 14.5% is a testament of a mild easing cycle on Ghana's economy. Additionally inflation pressure on food is expected to increase due to cost push factors. The rate of increase however is expected to be tamed by reduction in fuel prices due to the drop in crude oil prices. We project inflation to trend within the medium-term target band of  $8\pm 2$  percent in 2020. Nonetheless uncertainties regarding the second round effects of unanticipated petroleum price adjustments, the likelihood of election year overspends and exchange rate developments could pose some risk to the inflation outlook.

The COVID-19 pandemic coupled with uncertainties that comes with election could put pressure on the local currency. We expect foreign investors to de-risk their portfolios especially in emerging markets due to the uncertain dynamics of the pandemic which creates significant risks to macroeconomic outlook. The above notwithstanding the rate of depreciation could be subdued by the reduction in the demand for foreign currency as border closures cause significant declines in imports of goods and services.

Stock prices are expected to fall in 2020. The impact of COVID-19 pandemic on the economy is expected to reduce the profits of companies. Businesses on the bourse that are already struggling to sustain profitability are expected to record further dips. Stocks of companies in the energy, consumer and services sectors are expected to record significant dips in earnings should the pandemic prolong. Earnings of companies in the communication and technology space are expected to increase due to associated increase in demand for internet usage.

Activity on the Ghana Fixed Income Market is expected to increase given that current predicaments of COVID-19 could cause stock markets in general to record further dips. Fixed income has become attractive to investors in the midst of economic uncertainties. Demand for bonds particularly, sovereign bonds is expected to increase due to the drop in the values of equities. We envisage the current environment will cause treasury yields to drop particularly for short dated securities but flat towards the back-end of the yield curve. Secondly, policy interventions by the BoG is expected to cause declines in short-term interest rates.

### Strategy

Investment outlook in general is threatened by the effect of COVID-19 on the global economy. Our strategy will therefore be targeted at opportunities that will earn income and preserve the principal investment of shareholders. In view of this, we intend to invest 70% to 75% of the Fund in government securities, up to 20% in money market instruments and up to 5% in cash and cash equivalents. As we position the Fund to take advantage of the upside potential on fixed income instruments, we will nonetheless not compromise the objectives of the Fund. We shall continue to monitor the market and where market conditions are favourable, we shall cautiously take positions in equities with good fundamentals and strong dividend history.



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**Harriet Mate-Kole**  
**Portfolio Manager**

# Independent Auditor's Report to the Members of EDC kiddiFUND Mutual Fund Limited

## OPINION

We have audited the accompanying financial statements of kiddiFUND Mutual Fund Limited ("the Fund"), which comprise the statement of financial position at 31 December 2019, the statement of profit or loss and other comprehensive income and the statement of movement in net assets for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 30.

In our opinion, the financial statements give a true and fair view of the financial position of kiddiFUND Mutual Fund Limited as at December 31, 2019 and of its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2019, (Act 992) of Ghana.

## 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 kiddiFUND Mutual Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2019, (Act 992) of Ghana, Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695) and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for overseeing the mutual fund financial reporting process.

In preparing the financial statements, the Board of Directors is responsible for assessing the mutual 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 Board of Directors either intends to liquidate the mutual fund or to cease operations, or has no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is 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.

#### Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 mutual fund's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors.
- \* Conclude on the appropriateness of Board of 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 mutual 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 mutual fund to cease to continue as a going concern.

We communicate with those charged with governance 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.

#### KEY AUDIT MATTER

In accordance with ISAs, this part of our report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgment, were most significant in the audit of the financial statements. Key audit matters identified during the audit have been communicated to those charged with governance in a separate management letter.

#### Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992) of Ghana

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 accounts have been kept the Fund so far as it appears from our examination of those books.

The Funds' Statement of Assets and Liabilities and Income and Distribution Accounts are in agreement with the books of Account

The engagement partner on the audit resulting in this Independent Auditor's Report is **John Armstrong Yao Klinogo (ICAG/P/1116)**

For and on behalf of John Kay & Co. (ICAG/F/2020/128)

Chartered Accountants

Accra.



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## Statement of Financial Assets Designated Through Profit or Loss as at 31 December 2019

<b>EQUITY INVESTMENTS</b>	<b>SHARES</b>	<b>PRICE PER SHARE GH¢</b>	<b>MARKET VALUE GH¢</b>	<b>PERCENT OF NET ASSETS %</b>
<b>Banking</b>				
Republic Bank Ghana Limited	10,000	0.56	5,600	0.17
Ecobank Transnational Incorporated	171,066	0.08	13,685	0.43
Ghana Commercial Bank	26,400	5.10	134,640	4.20
Standard Chartered Bank	8,867	18.4	163,152	5.09
CAL Bank	109,600	0.89	97,544	3.04
Ecobank Ghana Limited	2,970	8.09	24,027	0.75
Societe Generale Ghana Limited	23,333	0.72	16,800	0.52
<b>Financial Services</b>				
State Insurance Company	20,000	0.08	1,600	0.05
Enterprise Insurance	18,000	1.65	29,700	0.93
<b>Food, Beverages &amp; Household Products</b>				
Guinness Ghana Breweries Ltd	2,075	1.69	3,507	0.11
Fan Milk Ltd	13,800	4.12	56,856	1.77
Patterson Zochonis Comp. Ltd	40,000	0.38	15,200	0.47
Unilever Ghana Limited	1,524	16.40	24,994	0.78
<b>Agro-Processing</b>				
Benso Oil Palm Plantation	13,800	2.86	39,468	1.23
<b>Oil &amp; Gas</b>				
Total Petroleum	12,840	3.00	38,520	1.20
Ghana Oil Co Ltd	10,600	1.7	18,020	0.56
<b>Telecommunication</b>				
MTN Ghana	30,000	0.7	21,000	0.65
			<b>704,313</b>	<b>21.96</b>

**FIXED INTEREST SECURITIES****Debt securities****Treasury Bonds**

2 -Year Fixed Rate Note	1,067,047	33.27
3 -Yr Fxd Rate Sec Note	175,050	5.46
5-Yr Fxd Rate Sec Note	54,169	1.69
7-Year Fixed Rate Note	51,741	1.61
	<u>1,348,007</u>	<u>42.03</u>

**Non sovereign bond**

10 Yr ESLA Bond	570,285	17.78
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**Corporate Bond**

5 Yr Unsecured Fixed Rate Note	86,761	2.71
5 Yr Izwe Floating Rate Senior Secured Note	93,309	2.91
Afb 6 Yr Floating Rate Senior Unsecured Note	61,128	1.91
	241,198	7.52
Less provision for impairment	(2,412)	(0.08)
	<u>238,786</u>	<u>7.45</u>

**Local Government Security**

182 Day CMB Bill	21,979	0.69
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Held-to-maturity securities

**Certificates of Deposit**

365 Day	266,087	8.30
182 Day	65,957	2.06

**Funds on call**

	52,470	1.64
Total investment securities	<u>3,267,885</u>	<u>101.90</u>

Total Liabilities	(60,974)	(1.90)
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**TOTAL NET ASSETS**

	<u>3,206,911</u>	<u>100</u>
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# Statement of Financial Position as at 31 December 2019

Assets	Note	2019 GH¢	2018 GH¢
Cash and cash equivalents	11	52,470	387,909
Non pledge financial assets at fair value Through profit and loss	12	3,215,415	3,107,017
<b>Total Assets</b>		<b><u>3,267,885</u></b>	<b><u>3,494,926</u></b>
Represented By:			
Members' fund	13	3,206,911	3,421,210
Liabilities			
Account payables	14	60,974	73,716
<b>Total Members' Fund and Liabilities</b>		<b><u>3,267,885</u></b>	<b><u>3,494,926</u></b>



Director



Director

## Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 GH¢	2018 GH¢
<b>Revenue</b>			
Interest income	6	429,709	579,789
Dividend income		29,717	5,944
Other income		15,163	-
Net realized gain on investment		-	20,684
Net gains/(loss) from financial instruments at fair Value through profit and loss	8	(155,675)	(215,793)
<b>Total Revenue</b>		<b>318,914</b>	<b>390,624</b>
<b>Expenses</b>			
Fund management fees		79,567	84,587
Custodian fees		11,036	5,459
General expenses		<b>15,213</b>	<b>21,817</b>
Audit fees		6,000	4,500
<b>Total operating expenses</b>		<b>117,943</b>	<b>116,363</b>
<b>Operating profit before tax</b>		200,972	274,261
Provision for impairment loss	17	(2,412)	(2,409)
<b>Increase in net assets available for benefits</b>		<b>198,560</b>	<b>271,852</b>

## Accumulated Net Investment Income for the Year Ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	<b>GH¢</b>	<b>GH¢</b>
Balance as at 1 January	1,203,411	931,559
Transfer from Income and Distribution Statement	198,560	271,852
<b>Balance at 31 December</b>	<b><u>1,401,971</u></b>	<b><u>1,203,411</u></b>

## Statement of Movements in Net Assets for the Year Ended 31 December 2019

	2019 GH¢	2018 GH¢
<b>Change in net assets from operations</b>		
Change in:		
Net Investment Income	198,560	271,852
<b>Net change in net assets from operations</b>	<b>198,560</b>	<b>271,852</b>
<b>Change in net assets from capital transactions</b>		
Proceeds from Issue of Shares	430,360	867,847
Share Redemption	(843,219)	(601,626)
<b>Net change in net assets from capital transactions</b>	<b>(412,859)</b>	<b>266,221</b>
<b>Net additions to net assets</b>	<b>(214,299)</b>	<b>538,073</b>
<b>Analysis of changes in cash and cash equivalents for the year</b>		
At 1 January	3,421,210	2,883,137
Net additions to net assets	(214,299)	538,073
<b>At 31 December</b>	<b>3,206,911</b>	<b>3,421,210</b>

# Statement of Changes in Equity for the Year Ended 31 December 2019

<b>31 December 2019</b>	<b>Capital Transactions GH¢</b>	<b>Investments GH¢</b>	<b>Total GH¢</b>
At 1 January	2,217,799	1,203,411	3,421,210
Net Income from Operations		198,560	198,560
Share Issue	430,360	-	430,360
Shares Redemption	(843,219)	-	(843,219)
<b>At 31 December</b>	<b><u>1,804,940</u></b>	<b><u>1,401,971</u></b>	<b><u>3,206,911</u></b>

<b>31 December 2018</b>	<b>Capital Transactions GH¢</b>	<b>Investments GH¢</b>	<b>Total GH¢</b>
At 1 January	1,951,578	931,559	2,883,137
Net Income from Operations	-	271,852	271,852
Share Issue	867,847	-	867,847
Shares Redemption	(601,626)	-	(601,626)
<b>At 31 December</b>	<b><u>2,217,799</u></b>	<b><u>1,203,411</u></b>	<b><u>3,421,210</u></b>



## Portfolio Summary at 31 December 2019

DESCRIPTION	POSITION AS AT 31.12.19	VALUE AS AT 31.12.19 GH¢	PURCHASES AS AT 31.12.19 GH¢	SALES AS AT 31.12.19 GH¢
<i>Banking</i>				
Republic Bank Ghana Limited	10,000	5,600	-	-
Ecobank Transnational Incorporated	171,066	13,685	-	-
Ghana Commercial Bank	26,400	134,640	-	-
Standard Chartered Bank	8,867	163,152	-	-
CAL Bank	109,600	97,544	-	-
Ecobank Ghana	2,970	24,027	-	-
Societe Generale Ghana Limited	23,333	16,800	-	-
<i>Financial Services</i>				
State Insurance Company	20,000	1,600	-	-
Enterprise Insurance	18,000	29,700	-	-
<i>Food, Beverages &amp; Household Products</i>				
Guinness Ghana Breweries Ltd	2,075	3,507	-	-
Fan Milk Ltd	13,800	56,856	-	-
Patterson Zochonis Comp. Ltd	40,000	15,200	-	-
Uniliver	1,524	24,994	-	-
<i>Agro-Processing</i>				
Benso Oil Palm Plantation	13,800	39,468	-	-
<i>Oil &amp; Gas</i>				
Total Petroleum	12,840	38,520	-	-
Ghana Oil Co Ltd	10,000	18,020	-	-
<i>Telecommunication</i>				
Scancom Limited	30,000	21,000	21,000	-
		<b>704,313</b>	<b>21,000</b>	-

# Statement of Cash Flow

## For the Year Ended December 2019

	2019 GHS	2018 GHS
<b>Cash flow from operating activities</b>		
Increase in net assets attributable to unit holders	198,560	271,852
Adjusted for:		
Dividend	(29,717)	(5,944)
Interest Receivable	(120,048)	(208,546)
Interest income	(309,661)	(371,243)
Other Income	(15,163)	-
Net Realised (gain) / loss on investment	155,675	215,793
Provision for impairment loss	2,412	2,409
Change in liabilities	(12,742)	35,127
	<b>(130,684)</b>	<b>(60,553)</b>
<b>Cash flow from investing activities</b>		
Purchase of financial Assets	(146,437)	(508,999)
Proceeds from matured financial Assets	309,661	371,243
Dividend	29,717	5,944
Other income 1	5,163	-
<b>Net Cash flow from investing activities</b>	<b>208,105</b>	<b>(131,812)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of units	430,360	867,847
Amount paid on redemption of units	(843,219)	(601,626)
<b>Net Cash flow from financing activities</b>	<b>(412,859)</b>	<b>266,221</b>
<b>Net increase (decrease) in cash and cash equivalent</b>	<b>(335,439)</b>	<b>73,856</b>
<b>Cash and cash equivalent at 1 January</b>	<b>387,909</b>	<b>314,053</b>
<b>Cash and cash equivalent at 31 December</b>	<b>52,470</b>	<b>387,909</b>

# Notes to the Financial Statements for the Year Ended 31 December 2019

## 1. REPORTING ENTITY

kiddiFUND Mutual Fund Limited is a mutual fund investment company whose primary object is to obtain contributions from members and invest same for their benefit. kiddiFUND Mutual Fund Limited is a limited liability company and is incorporated and domiciled in the Republic of Ghana. The address and registered office of the company can be found on page 2 of the financial statements.

The Fund was established and operates in accordance with the Unit Trust and Mutual Fund Regulation (L.I.1695). The Fund shall be marketed as a “kiddiFUND”, which means it will invest in a combination of listed equities, bonds, as well as other suitable fixed income securities to achieve its investment objective.

The investment activities shall be managed by NDK Capital Limited and Stanbic Investment Management Services.

## 2. BASIS OF PREPARATION

### a. Statement of compliance

These financial statements have been prepared in accordance with the Unit Trust and Mutual Funds Regulations, 2001 (L.I. 1695) and comply with the International Financial Reporting Standards (IFRS) and the companies code Act 2019, (Act 992) of Ghana

### b. Functional and presentation Currency

These financial statements are presented in Ghana Cedi, which is the Fund’s

functional currency. All amounts have been stated in full.

### c. Use of judgements and estimates

In preparing these financial statements, the Unit Trust’s management has made judgements, 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.

## 3. Accounting policies

The following principal accounting policies have been consistently applied during the year in the preparation of the Unit Trust’s financial statements.

### i. Purchase of Share Units

Applicants complete standard application forms which are sent to the office of the Manager. Telephone or electronic requests must be confirmed in writing. Application for units is at the discretion of the Board of Directors of the Fund Manager. Cheques are cleared first before the processing of applications by the Manager. Payments for units shall be made in Ghana Cedis; however, applicants can settle their payments with easily convertible currencies but bear the foreign exchange transaction cost.

### ii. Investment income recognition

#### a. Interest income

Interest income, including interest income from non-derivative financial assets at Fair value through profit or loss (FVTPL), are recognised in profit or loss, using effective interest method. The effective interest 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 re-pricing 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 the profit or loss as interest income or interest expense, respectively.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### iii. Financial Instruments

##### a. Non-derivative financial instruments

Non-derivative financial instruments comprise loans and receivables, held-to-maturity and available-for-sale. The Fund Manager determines the appropriate classification of its financial assets and liabilities at initial recognition.

Non-derivative financial instruments are recognised initially at fair value plus, for instrument not at fair value through profit and loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Non-derivative financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Unit Trust has transferred substantially all risks and rewards of ownership.

Non-derivative financial instruments are categorised as follows:

- \* Loans, advances and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those classified as held for trading and those that the Unit Trust on initial recognition designates at fair value through profit and loss; (b) those that the Unit Trust upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are carried at amortised cost using effective interest rate method less appropriate allowances for doubtful receivables. Allowances for doubtful receivables represents the Unit Trust's estimate of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are based on aging of customer's balances, specific credit circumstances, and the company's receivables historical experience. Regular way purchases and sales of loans and receivables are recognised on contractual settlement

Available-for-sale – these are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. Investment securities and treasury bills with a maturity of 182 days or less are classified as available-for-sale.

Available-for-sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss



previously recognised in equity is recognised in the profit or loss account.

However, interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Unit Trust's right to receive payment is established.

Regular way purchases and sales of available-for-sale financial assets are recognised on trade-date, i.e. the date on which the Unit Trust commits to purchase or sell the asset.

**Held-to-maturity** - Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

Were the Unit Trust to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale. Treasury bills with an original maturity of more than 182 days, treasury notes and other government bonds are classified as held-to-maturity.

Held-to-maturity assets are carried at amortised cost using effective interest rate method. Regular way purchases and sales of financial assets held-to-maturity are recognised on trade-date, i.e. the date on which the Unit Trust commits to purchase or sell the asset.

### **(b) Derivative financial instruments**

A derivative is a financial instrument that changes its values in response to changes in the underlying variable, requires no or little net initial investment and is settled at a future date. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk. The classification of derivatives is determined upon initial recognition and is monitored on a regular basis.

Derivatives are initially recognised at fair value plus directly attributable transaction costs. These are subsequently measured at fair value on a regular basis and at each reporting date as a minimum. The fair values of exchange-traded derivatives are based on respective market prices, while the fair value of the over-the-counter derivatives are determined using accepted mathematical models based on market data and assumptions. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair values of derivatives that do not qualify for hedge accounting are recognised directly in the income statement.

### **(c) Financial Liabilities**

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method. Financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Financial liabilities are derecognised when they are redeemed or otherwise extinguished.

### **(d) Off setting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Unit Trust has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

### **(e) Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition,

minus principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

#### **(f) Hedge Accounting**

Hedge accounting is the method that recognises the proportionate offsetting effects of a hedging instrument on the changes in value of the hedged item. Hedge accounting applies only when a hedging relationship can be demonstrated between a hedged item and a hedging instrument. Such method generally applies for transactions that are carried out to eliminate or mitigate risks. The effectiveness of such hedges is demonstrated at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

Recognition of hedged transactions depends on the hedged categories.

##### *Fair value hedges*

Fair value hedges are used to mitigate foreign currency and interest rate risks of recognised assets and liabilities. The changes in fair values of hedging instruments are recognised in the income statement. Hedged items are also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters and dealer quotes for similar instruments. When fair values of unquoted

instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

##### *Cash flow hedges*

Cash flow hedges are used to mitigate foreign currency risks of highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as the variability of expected interest payments and receipts. The effective part of the changes in fair value of hedging instruments is recognised against equity, while any ineffective part is recognised immediately in the income statement. When the hedged item results in the recognition of a non-financial asset or liability, the gains or losses previously recognised against equity are included in the measurement cost of the asset or the liability. Otherwise the gains or losses previously recognised against equity are removed from equity and recognised in the income statement at the same time as the hedged transaction.

#### **(g) Effective Interest Rate**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **(h) Determining fair value**

Where the classification of a financial instrument requires it to be stated at fair value, this is

determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, the Group uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

### (i) Impairment of financial assets

The Unit Trust assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Unit Trust about the following loss events:

- I. Significant financial difficulty of the borrower;
- II. A breach of contract, such as default or delinquency in interest or principal repayments;
- III. The Unit Trust granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that The Unit Trust would not otherwise consider;
- IV. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

V. The disappearance of an active market for that financial asset because of financial difficulties; or

VI. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets including:

- \* Adverse changes in the payment status of borrowers; or
- \* National or local economic conditions that correlate with defaults on the assets of The Unit Trust.

The estimated period between losses occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months. In exceptional cases, longer periods are warranted.

### iv. Foreign Currency

Transactions in foreign currencies during the period are converted into cedis at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the financial year-end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into cedis at the exchange rates at the date on which the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gains from financial instruments at FVTPL.



#### v. Transfer values

Transfer values represent the capital sums paid to and from the Unit Trusts on the basis of when the member liability is accepted or discharged.

#### vi. Cash and Cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturity of three months or less from the date of acquisition that are subject so an insignificant risk of changes in their value and are used by the Unit Trust in the management of short term commitment, other than cash collateral provided in respect of derivatives and security borrowing transactions.

#### vii. Fees and commission

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

### 4. NEW AND AMENDED STANDARDS EFFECTIVE FOR THE CURRENT PERIOD

#### (a) IFRS 16 Leases

##### *Impact of Initial Application of IFRS 16 Leases*

In the current year, the Mutual Fund has not applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3(W).

The date of initial adoption is 1 January 2019, however IFRS 16 is not applicable to the Mutual Fund reporting

##### *i. Impact of the New Definition of a Lease*

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

##### *ii. Impact on Lessee Accounting*

###### Former Operating Lease

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

- \* Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;





- \* Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- \* Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

#### **(a) IFRS 16 Leases**

##### Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

##### *iii. Impact on lessor accounting*

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

These changes have had no impact on the financial statements on the Mutual Fund.

##### *iv. Impact on the statement of cash flows*

The application of IFRS 16 has an impact on the statement of cash flows of the Company. Under IFRS 16, lessees must present:

- \* Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- \* Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Company has opted to include interest paid as part of financing activities); and
- \* Cash payments for the principal portion for a lease liability, as part of financing activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

**(b) Amendments to IFRS 9 Prepayment features with negative compensation**

The Mutual Fund has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these financial statements.

**(c) Amendments to IAS 28 Long-term interests in associates and joint ventures**

The Mutual Fund has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Fund applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the fund does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The adoption of this amendment has not had any material impact on the disclosures

or on the amounts reported in these financial statements.

**(d) Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS**

**3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs**

The Fund has adopted the amendments included in the Annual Improvements to IFRS Standards 2015-2017 Cycle for the first time in the current year. The adoption of these amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Annual Improvements include amendments to four Standards:

**IAS 12 Income Taxes**

The amendments clarify that the entities should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entities originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

**IAS 23 Borrowing costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**IFRS 3 Business combinations**

The amendments clarify that when the entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in



stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

#### **IFRS 11 Joint arrangements**

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

#### **(e) Amendments to IAS 19 Employee benefits plan Amendment, Curtailment or Settlement**

The entity has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated

by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The adoption of this amendment has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### **(f) IFRIC 23 Uncertainty over income tax treatments**

- \* The entity has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the entity to:
  - \* determine whether uncertain tax positions are assessed separately or as a group; and
  - \* assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

## **5. NEW AND REVISED STANDARDS IN ISSUE NOT YET EFFECTIVE**

At the date of authorisation of these financial statements, The entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

<b>IFRS 17</b>	Insurance Contracts
<b>Conceptual Framework</b>	Amendments to References to the Conceptual Framework
<b>Amendments to IFRS 3</b>	Definition of a Business
<b>Amendments to IAS 1 and IAS 8</b>	Definition of Material
<b>IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)</b>	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the entity in future periods, except as noted below:

#### **IFRS 17 Insurance Contracts**

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021,

with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the entity's financial statements.

#### **Amendments to References to the Conceptual Framework**

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to



indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

#### Amendments to IFRS 3 Definition of Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

#### Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of obscuring material information with

immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from could influence to could reasonably be expected to influence.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term material to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application

of the amendments is permitted. The directors of the Mutual Fund anticipate that the application of these amendments may have an impact on the mutual Fund's financial statements in future periods should such transactions arise.

## 6. INTEREST INCOME

	2019 GH¢	2018 GH¢
Interest income from financial assets carried at amortized cost:		
Cash and cash equivalents	921	186,163
Interest income on financial instruments designated as at fair value through profit or loss:		
Debt securities	380,722	236,184
Held-to-maturity	48,067	157,442
	<b>429,709</b>	<b>579,789</b>

## 7. FINANCIAL INSTRUMENTS

Analysis of changes in fair value of financial instrument through profit or loss. 2019

	Balance 1/1/2019 GH¢	Purchase/ (Sales) at Cost GH¢	Accrued interest GH¢	Change in fair value GH¢	Value 31/12/ 2019 GH¢
Quoted Shares	838,610	21,378	-	(155,675)	704,313
Ghana Government securities	924,954	366,473	56,580		1,348,007
Corporate Bonds	238,540	(6,952)	7,198		238,786
Non-Sovereign Bond	561,679	(7,716)	16,322		570,285
Treasury Bills	-	20,075	1,904		21,979
Fixed and Time Deposits	718,554	(424,554)	38,044		332,044
	<b>3,282,337</b>	<b>31,296</b>	<b>120,048</b>	<b>(155,675)</b>	<b>3,215,414</b>

## 2018

	Balance 1/1/2018 GH¢	Purchase/ (Sales) at Cost GH¢	Accrued interest GH¢	Change in fair value GH¢	Value 31/12/ 2018 GH¢
Quoted Shares	789,136	265,267	-	(215,793)	838,610
Ghana Government Securities	484,280	353,412	87,262	-	924,954
Corporate Bonds	147,386	75,305	15,849	-	238,540
Non-Sovereign Bonds	-	553,963	7,716	-	561,679
Treasury Bills	5001	(12,230)	7,229	-	-
Fixed and time deposits	1,181,870	(553,807)	90,491	-	718,554
	<b>2,607,673</b>	<b>681,910</b>	<b>208,547</b>	<b>(215,793)</b>	<b>3,282,337</b>

## 8. UNREALIZED GAINS / (LOSSES) ON INVESTMENT

	2019 GH¢	2018 GH¢
Market value of investments	704,313	838,610
Cost of investments	(859,988)	(1,054,403)
	<b>(155,675)</b>	<b>(215,793)</b>

## 9. CAPITAL TRANSACTIONS

	2019 No. of Shares	2018 No. of Shares
Shares in issue at beginning	3,977,487	3,097,682
New issues	1,658,608	3,287,981
Redemptions	(2,668,320)	(2,408,176)
<b>Shares (Withdrawn) / Issued</b>	<b>2,967,775</b>	<b>3,977,487</b>

## 10. PURCHASE AND SALE OF LONG-TERM SECURITIES

	2019 Purchases GH¢	2019 sales GH¢	2018 purchases GH¢	2018 sale GH¢
Republic Bank Ghana Ltd	-	-	-	-
Ecobank Transnational Incorporated	-	-	-	-
Ghana Commercial Bank Ltd	-	-	-	-
Ecobank Ghana	-	-	2,226	-
Standard Chartered Bank	-	-	47,554	-
Cal Bank	-	-	-	-
State Insurance Company	-	-	112,967	-
Enterprise Insurance Company	-	-	-	-
Guinness Ghana Breweries Ltd	-	-	-	-
Fan Milk Ltd	-	-	75,037	-
Patterson Zochonis Company Ltd	-	-	-	-
Benso Oil Palm Plantation	-	-	-	-
Uniliver Ghana Limited	-	-	-	-
Total Petroleum	-	-	-	-
Ghana Oil Co Ltd	-	-	-	-
Societe Generale Ghana Limited	-	-	27,483	-
MTN Ghana	21,378	-	-	-
	<b>21,378</b>	-	<b>265,267</b>	-

## 11. CASH AND CASH EQUIVALENTS

	2019 GH¢	2018 GH¢
Cash and bank balances	52,470	387,909
	<b>52,470</b>	<b>387,909</b>



## 12. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 GH¢	2018 GH¢
Debt Securities	2,159,490	1,727,581
Quoted Equity Investments	704,313	838,611
Held to Maturity Securities	354,023	543,234
Provision for Impairment loss	(2,412)	(2,409)
	<b>3,215,414</b>	<b>3,107,017</b>

## 13. MEMBERS' FUND

	2019 GH¢	2018 GH¢
Accumulated Net Investment Income	1,401,971	1,203,411
Stated capital registered	100,000	100,000
Movement on shares issued	1,704,940	2,117,799
	<b>3,206,911</b>	<b>3,421,210</b>

## 14. PAYABLE UNDER SERVICE LEVEL AGREEMENTS

	2019 GH¢	2018 GH¢
Management fees	21,194	60,343
Audit fees	6,000	4,500
Custody fees	2,601	1,500
Vat	1,088	788
Other current liability	30,091	6,585
	<b>60,974</b>	<b>60,824</b>

## 15. GENERAL EXPENSE

	2019 GH¢	2018 GH¢
Directors emolument	10,625	10,500
Board expenses	1,275	3,407
Stationery and printing	-	2,115
Interest and similar charges on investment	1,387	710
Secretarial fee	1,540	2,400
Advertisement	1,365	-
Bank charges	27	205
AGM expenses	4,034	1,692
VAT	1,088	788
	<b>21,340</b>	<b>21,817</b>

## 16. TAXATION

Income of approved unit trust scheme or mutual fund is exempt from tax under the income tax act, 2015 (act 896) as amended. The fund currently withholds taxes on payment made to directors and other service providers.

## 17. PROVISION FOR IMPAIRMENT LOSS

Provision for impairment loss of 1% was made on corporate bonds in accordance with international financial reporting standard 9.

## 18. DIRECTORS' SHAREHOLDING

kiddiFund	Shares	Percent
Rose Gomez	101,675	3.43%
William Mensah	45,474	1.54%
Enoch Ampratwum	112,795	6.56%
Sarah Brainoo Arhin	20,000	0.67%

## 19. TRANSACTIONS THROUGH STOCKBROKERS

The fund's transactions were through IC Securities (Ghana) Limited, Gfx Brokers, FirstBanc Brokerage Services Limited, Cal Brokers Limited

## 20. EVENT AFTER REPORTING PERIOD

It is envisioned that COVID 19 pandemic will most likely have an impact on the economy, and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. The Fund is, however not able to produce a reliable estimate of this impact at this point. The Directors are not aware of any other material events that have occurred between the date of the financial statement and the date of this report.

## 21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Directors of the Fund and Authorized for issue on 29th May, 2020.

## Proxy Form

I/We.....of.....  
 Being a member(s) of kiddiFUND ("the Company) hereby appoint.....  
 of.....

As my/our proxy to attend on my/our behalf, the Annual General Meeting of the Fund, to be held at the virtually by zoom on Wednesday, 7th October, 2020 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

	RESOLUTIONS AGAINST	FOR	
1.	To receive and consider the Reports of Directors and Auditors for the year ended 31 st December 2019		
2.	To receive and consider audited Financial Statements for the year ended 31 st December, 2019.		
3.	To Authorize the Directors to fix the remuneration of the Auditors.		
4.	To transact any other business appropriate to be dealt with at any Annual General Meeting.		

### Special Business

To amend the Company's Regulations/Constitution to accommodate the holding of Annual General Meetings by electronic or virtual means where the Directors deem it necessary to do so.

Shareholder's Signature.....Date.....2020

**Notes**

1. A proxy need not be a member of the fund.
2. Unless otherwise instructed, the proxy will vote as he sees fit.
3. To be valid, this form must be signed and deposited at the Registered Office of the Secretary or the Fund Manager not less than forty-eight (48) hours before the commencement of the meeting.
4. In the case of joint holders the signature of only one of the joint holders is required.
5. In the case of a body corporate the form must be under seal or under the hand of a duly authorized officer.
6. The completion of and return of a proxy form does not prevent a shareholder from attending the meeting and voting thereat.

