

**SARPONG CAPITAL MARKETS  
LIMITED**

**FINANCIAL STATEMENTS**  
31<sup>ST</sup> DECEMBER 2020

# Sarpong Capital Markets Limited

## Report and financial statements 2020

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<b>Contents</b>	<b>Page</b>
Directors, officials and registered office	2
Report of the directors	3-4
Independent auditor's report	5 - 8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes on the financial statements	13 - 27

## **Sarpong Capital Markets Limited**

### **Directors, officials and registered office**

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**Directors:**

Kofi Adusei Koduah-Sarpong - Board Chairman  
Kofi Amoah Sarpong (Resigned 8/01/2021)  
Yaw Sarpong  
Justice Boahen (Appointed 8/01/2021)

**Secretary:**

Dehands Services  
9 Carrot Avenue, Adjacent Lizzy's Sports Complex  
East Legon  
P.O. Box CT 9347  
Cantonments-Accra  
Ghana

**Registered office:**

2 Almond Avenue and 21 Boundary Road,  
Christian Services, Off Boundary Road, East Legon  
GA-329-3127, JVM3+X8  
Box CT 10881, Cantonments  
Cantonments - Accra  
Ghana

**Auditor:**

AA&K Chartered Accountants  
No. 7A, Ninth Street, Tesano  
P.O. Box AN 18603  
Accra-North  
Ghana

# Sarpong Capital Markets Limited

## Report of the directors

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The directors present their report and the accounts for the year ended 31 December 2020.

### 1. Nature of business

To act as securities trading principal and agent, to act as a primary dealer in Government securities buying, selling and financial Government securities directly with the Bank of Ghana, to act as participant in all licensed and recognized exchanges, to act as market maker in equities, bonds, currencies, commodities and other financial instruments.

### 2. Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with International Financial Reporting Standards for Small and Medium sized Entities (IFRS for SMEs) and in the manner required by the Companies Act, 2019 (Act 992). They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

### 3. Operations

The company was incorporated on 20 March 2015. It is currently in full operations.

### 4. Shareholding

Sarpong Capital Markets Limited is wholly owned subsidiary of Sarpong Capital Limited.

# Sarpong Capital Markets Limited

## Report of the directors - continued

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**5. Going concern considerations**

The Board of Directors have assessed the company's ability to continue as a going concern and is satisfied that the company has the required resources to continue in business for the foreseeable future. Furthermore, the company's board of directors is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Consequently, the financial statements continue to be prepared on a going concern basis.

**6. Audit fees**

The amount payable by way of audit fees is as per note 6 of these financial statements.


**7. Auditors**

The auditors, AA&K Chartered Accountants, have expressed their willingness to continue as the company's auditors. In accordance with section 139(5) of the Companies Act, 2019 (Act 992) they so continue.

**8. Approval of financial statements**

The financial statements of the company were approved by the Board of Directors on ..... and signed on its behalf by:

Director.....  


Director.....  


Date: 28 April 2021

Date: 28 April 2021

## **Independent auditor's report To the members of Sarpong Capital Markets Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the accompanying financial statements of Sarpong Capital Markets Limited, which comprise the statement of financial position, statement of comprehensive income as at 31 December 2020 and the statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies and other explanatory disclosures.

In our opinion, the financial statements give a true and fair view of the financial position of Sarpong Capital Markets Limited as at 31 December 2020 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium (IFRS for SMEs) and in the manner required by the Companies Act, 2019 (Act 992).

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with the IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the Report of the Directors. The other information 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 on the other information that we obtained prior to the date of this auditor's report, 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 for Small and Medium-sized Entities (IFRS for SMEs) and the requirements of the Companies Act, 2019 (Act 992) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report - continued** **To the members of Sarpong Capital Markets Limited**

### **Auditor's Responsibilities for the Audit of 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# AA & K

**CHARTERED ACCOUNTANTS**

7A Ninth Street, Tesano-Accra  
GA 206-2688  
P. O. Box AN 18603  
Accra - North  
Ghana

Tel: 233-302-256224/5  
Fax: 233-302-256228  
Email: aak@ghana.com

## **Independent auditor's report - continued To the members of Sarpong Capital Markets Limited**

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

1. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
2. In our opinion:
  - proper books of accounts have been kept by the company, so far as appears from our examination of those books.
  - the information and explanations as provided to us, is in the manner required by Act 992 and give a true and fair view of the:
    - a. statement of financial position of the company at the end of the financial year, and
    - b. statement of profit or loss and other comprehensive income for the financial year.
3. The company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.
4. We are independent of the company, pursuant to section 143 of Act 992.

The engagement partner on the audit resulting in this independent auditor's report is **John K. Defortse (ICAG/P/1014)**



For and on behalf of AA&K Chartered Accountants (ICAG/F/2021/114)

No. 7A, Ninth Street  
Ghana

APRIL 21, ..... 2021

## Sarpong Capital Markets Limited

### Statement of comprehensive income For the year ended 31 December 2020

	Notes	2020 GH¢	2,019 GH¢
Commission income	5a	5,000	-
Trading income	5b	310,158	-
<b>Total Non-interest revenues</b>		<b>315,158</b>	<b>-</b>
Interest income		364,583	26,771
Interest expense		(331,611)	-
<b>Net interest income</b>		<b>32,972</b>	<b>26,771</b>
<b>Total net revenues</b>		<b>348,130</b>	<b>26,771</b>
Personnel expense		(42,718)	-
Depreciation and amortisation	7	(25,343)	(12,671)
Administrative expenses	6	(230,790)	(44,578)
Finance cost		(366,668)	-
<b>Total operating expenses</b>		<b>(665,519)</b>	<b>(57,249)</b>
<b>Profit before taxation</b>		<b>(317,389)</b>	<b>(30,478)</b>
<b>Income tax (expense )/Credit</b>	13c	<b>82,515</b>	<b>-</b>
<b>Profit for the period</b>		<b>(234,874)</b>	<b>(30,478)</b>
<b>Total comprehensive income</b>		<b>(234,874)</b>	<b>(30,478)</b>

The notes on pages 13 to 27 form an integral part of these financial statements.

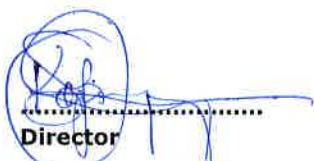
## Sarpong Capital Markets Limited

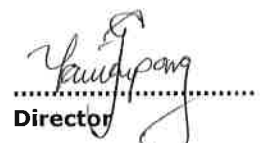
### Statement of financial position For the year ended 31 December 2020

	Notes	2020 GH¢	2019 GH¢
<b>Assets</b>			
Cash and cash equivalents	9	8,817,623	608,289
Related party balances	10a	276,179	-
Property, plant and equipment	7	167,842	193,185
Other assets	8	399,976	273,048
Deferred tax	13b	82,515	-
<b>Total assets</b>		<b>9,744,135</b>	<b>1,074,522</b>
<b>Liabilities</b>			
Unsecured Capital Note		5,000,000	-
Related party balances	10b	110,763	-
Other liabilities	12	398,724	5,000
<b>Total liabilities</b>		<b>5,509,487</b>	<b>5,000</b>
<b>Capital and reserves</b>			
Stated capital	11	1,500,000	1,100,000
Unsecured Convertible Non-Cumulative Preferred Capital Notes		3,000,000	-
Retained earnings		(265,352)	(30,478)
<b>Total equity</b>		<b>4,234,648</b>	<b>1,069,522</b>
<b>Total equity &amp; liabilities</b>		<b>9,744,135</b>	<b>1,074,522</b>

The notes on pages 13 to 27 form an integral part of these financial statements.

The financial statements were approved by the board on 28/04/2021 and signed on its behalf as follows:

  
 Director  
 Date: 28 April 2021

  
 Director  
 Date: 28 April 2021

## Sarpong Capital Markets Limited

### Statement of changes in equity For the year ended 31 December 2020

2020	Stated Capital GH¢	Income Surplus GH¢	Total GH¢
Balance as 1 January	1,100,000	(30,478)	1,069,522
Proceeds from additional Shares	400,000	-	400,000
Comprehensive income	-	-	-
Net income		(234,874)	(234,874)
<b>Balance as 31 December</b>	<b>1,500,000</b> =====	<b>(265,352)</b> =====	<b>1,234,648</b> =====

2019	Stated Capital GH¢	Income Surplus GH¢	3.00 3.00 3+ 3
Balance as 1 January	1,100,000	-	3
Comprehensive income	-	(30,478)	(30,478)
<b>Balance as 31 December</b>	<b>1,100,000</b> =====	<b>(30,478)</b> =====	<b>(30,475)</b> =====

## Sarpong Capital Markets Limited

# Statement of cash flows

For the year ended 31 December 2020

	2020 GH¢	2019 GH¢
<b>Cash flows from operating activities</b>		
Profit before tax for the period	(317,389)	(30,478)
<b>Adjustments for non-cash income and expenses:</b>		
Depreciation & amortisation	25,343	12,671
Profit on disposal of PPE	-----	-----
	<b>(292,046)</b>	(17,807)
<b>Movements in working capital</b>		
Changes in receivables	(126,928)	(170,798)
Changes in Intercompany receivables	(276,179)	-
Changes in payables	504,487	2,750
	-----	-----
<b>Net cash from operating activities</b>	<b>(190,666)</b>	(185,855)
Tax paid	-	-
	-----	-----
<b>Net cash used in operating activities</b>	<b>(190,666)</b>	(185,855)
	-----	-----
<b>Investing activities</b>		
Additions to property, plant & equipment	-	(205,856)
	-----	-----
<b>Net cash used in investing activities</b>	-	(205,856)
	-----	-----
<b>Cash flows from financing activities</b>		
Equity Capital introduced	400,000	1,000,000
Unsecured Convertible Non-Cumulative Preferred Capital Notes introduced	3,000,000	
Unsecured Capital Notes introduced	5,000,000	
	-----	-----
<b>Net cash generated from financing activities</b>	<b>8,400,000</b>	1,000,000
	-----	-----
<b>Net decrease in cash and cash equivalents</b>	<b>8,209,334</b>	608,289
Bank and cash balances at 1 January	608,289	-
	-----	-----
	<b>8,817,623</b>	608,289
	=====	=====
<b>Analysis of cash &amp; cash equivalent</b>		
Bank and cash balance of 31 December	<b>8,817,623</b>	<b>608,289</b>
	=====	=====

The notes on pages 13 to 27 form an integral part of these financial statements.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### 1. General information

Sarpong Capital Markets Limited (the Company) is a limited liability company incorporated in Ghana. The address of its registered office and principal place of business can be found on page 2 of this report. Their principal activity has been described in the report of the directors on page 3.

### 2. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Ghana Cedis (GH¢).

### 3. Summary of significant accounting policies

The significant accounting policies applied by Sarpong Capital Markets Limited in the preparation of the financial statements are set out below:

#### 3.1. Functional and presentation currency

The financial statements are presented in Ghana Cedis [GH¢], which is the functional and presentational currency of the company.

#### 3.2 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated in cedis at the exchange rate ruling at the company's year-end. Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. All translation differences are dealt with in arriving at the operating result.

#### 3.3. Property, plant and equipment

The company recognizes an item of property, plant and equipment as an asset when it is probable that future

Fittings and fixtures	-	10%
Computers	-	25%

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### 3.4. Intangible assets: Computer software

Costs incurred to acquire and bring to use specific computer software licenses are capitalized. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any impairment losses. The amortization period and method for an intangible asset, in this case computer software, are reviewed at least at each reporting date. Changes in the expected useful life in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on the intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method on the basis of the expected useful lives of the assets.

The carrying values of intangible assets are reviewed for indications of impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### 3.5 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in profit or loss net of any reimbursement.

### 3.6. Events after the reporting period

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

### 3.7. Pension contribution

The Company and its employees contribute to the compulsory pension scheme as contained in the National Pension Act, 2008 (Act 766). Under Act 766, the company contributes 13% of employees' basic salary to the compulsory pension schemes, made up of the Basic National Social Security Scheme managed by SSNIT and the Occupational Pension Scheme managed by a private pension fund. The employees also contribute 5.5% of their basic salary to the funds, making a total contribution of 18.5%.

Out of the total contribution of 18.5%, the company remits 13.5% to the Social Security and National Insurance Trust to meet its obligation under the scheme. The remaining 5% to a privately managed and mandatory second tier scheme. This is a defined contribution scheme and the obligation under this scheme is limited to contribution made.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### 3.8. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

#### a. Interest income

Interest income is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated on initial recognition of the financial asset or liability, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses.

Where a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### b. Fees and commissions

Commission and fees revenue and expenses that are integral part of financial instruments and are included in the measurement of the effective interest rate are spread over the period of the financial instruments. Commission and fees in respect of services are recognized in the income statement when the related services are performed.

The company earns commission and fees from a diverse range of services provided to its customers. Fee revenue is accounted as follows:

- Fees which forms an integral part of the effective interest rate of a financial instrument (such as commitment and processing fees on corporate loans) is recognized as an adjustment to the effective interest rate.

- Other fees and commission income, including account servicing fees, investment management fees, sales commission, and placement and arrangement fees are recognised as the related services are performed.

#### c. Other operating income

This is made up of other operating income including bad debts recovered, profit or loss on sale of property, plant and equipment, other miscellaneous incomes and exchange gains.

### 3.9. Interest expense

Interest expense is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest rate method.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### Interest expense- continued

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument. The calculation includes all amounts for processing and commitment fees paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

### 3.10. Taxation

Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

#### a. Current income tax

Current tax is the tax expected to be payable under the Income Tax Act, 2015 (Act 896) on the taxable profit for the year, calculated using the tax rates enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set off exists.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

#### b. Deferred income tax

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### **Taxation- continued**

Deferred tax is calculated using the rate expected to apply in the period in which the assets will be realized or the liabilities settled. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities and relate to income taxes levied by the Ghana Revenue Authority, and when a legal right to set off exists in the entity.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

### **3.11. National stabilization levy**

Under the National Fiscal Stabilization Levy Act, 2013 of Ghana, financial institutions and some large firms were required to pay a levy of 5% of their profit before tax towards fiscal stabilization with effect from July 2013. The Company has complied with this statutory obligation.

### **3.12. Classification of financial assets and liabilities**

The company classifies its financial assets as follows: financial assets held at fair value through profit or loss; loans and receivable; held-to-maturity and available for sale financial assets. However, the classification of financial liabilities is restricted to either held at fair value through profit or loss, or at amortized cost.

### **3.13. Financial instruments - Initial recognition and subsequent measurement**

#### **a. Date of recognition**

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date i.e. the date that the company commits to purchase or sell the asset.

#### **b. Initial recognition of financial instruments**

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

Available for sale financial assets are measured at fair value on the statement of financial position, with gains and losses arising from changes in the fair value of investments recognized in other comprehensive income and accumulated in other reserves in equity, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognized in equity is recognized through other comprehensive income into profit and loss.

Interest calculated using the effective interest method is recognized in profit or loss.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### Financial instruments - continued

#### d. Held-to-maturity assets

Held to maturity financial investments are those which carry fixed determinable payments and have fixed maturities and which the company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'interest income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line "Impairment losses on financial investments".

#### e. Due from banks and loans and advances to customers

Due from banks and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from companies and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost is calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortization is included in 'Interest income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Charge for Impairment'.

#### f. Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss.

Non-trading liabilities are recorded at amortized cost applying the effective interest method.

#### g. Determination of fair value of financial instruments

##### i) Availability of active market

The fair value of a financial instrument traded in active markets such as the Ghana Stock Exchange (GSE) at the reporting date is based on their quoted market price.

##### ii) Non-availability of active market

Where market prices are not available, the company establishes a fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### Financial instruments - continued

#### h. De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either when the company have a legal right to offset the amount and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

- a) the company has transferred substantially all the risks and rewards of the asset, or
- b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset.

In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. A financial liability is derecognized when the obligation is discharged, cancelled or expired.

#### j. Offsetting

Financial assets and liabilities are off set and the net amount is shown in the statement of financial position, and only when the company have a legal right to offset the amount and have the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 3.14 Impairment of financial assets

#### a. Framework for impairing financial assets

The company assesses at each balance sheet whether objective evidence of impairment exists for any financial asset. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### **Impairment of financial assets - continued**

#### b. Available-for-sale financial assets

For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

The company assesses at each balance sheet whether objective evidence of impairment exists for any financial asset. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### c. Loans and advances and due from banks & other financial institutions

For amounts due from banks and loans and advances to customers carried at amortised cost, the company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (identified impairment). If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (unidentified impairment). Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### **Impairment of financial assets - continued**

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimated and loss experience.

#### **d. Held to maturity financial investment**

For held-to-maturity investments the company assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

### **3.15. Dividend**

Dividends declared are treated as an appropriation of profit in the year of approval while dividends proposed are disclosed as a note to the financial statements.

### **3.16. Cash and cash equivalents**

Cash and cash equivalents are recorded in the balance sheet at cost. For the purpose of the cash flow statement cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana, treasury bills and other eligible bills and amounts due from other Banks.

### **3.17 Borrowing**

Borrowings by the company are initially recognized at fair value and there after stated at amortized cost. Associated net transaction costs of borrowings are recognized in profit or loss over the maturity period of the borrowings.

### **3.18 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### **Fair value measurement- continued**

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **4.0 Significant Accounting Estimates, Assumptions & Judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### **4.1 Going concern**

The management of the company has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the required resources to continue in business for the foreseeable future.

Furthermore, the company's management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Consequently, the financial statements continue to be prepared on the going concern basis.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

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### 4.2 Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### 4.3 Impairment of financial assets

The company makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets.

### 4.4 Impairment of non-financial assets (Including PPE)

The company assesses at least at each reporting date whether there is any evidence that non financial assets (including PPE) may be impaired. Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value discount rates in order to calculate the present value of those cash flows.

### 4.5 National stabilization levy

Under the National Fiscal Stabilization Levy Act, 2013 of Ghana, financial institutions and some large firms were required to pay a levy of 5% of their profit before tax towards fiscal stabilization with effect from July 2013. The Company has complied with this statutory obligation.

## Sarpong Capital Markets Limited

### Notes to the financial statements For the year ended 31 December 2020 - continued

#### 5. Revenue

	2020	2019
	GH¢	GH¢
<b>5a.</b> Commission income	<b>5,000</b>	-
<b>5b.</b> Trading income	<b>310,158</b>	-
	-----	-----
	<b>315,158</b>	-
	=====	=====

#### 6. Administrative expenses

	2020	2019
	GH¢	GH¢
Audit fees	26,219	8,500
Pre operating expenses amortised	20,596	35,892
Bank Charges	4,379	186
Rent Expense	65,157	-
Professional fees	30,690	-
Trainings and Seminars	21,856	-
Transportation and Travel	11,025	-
Office Supplies	8,434	-
Security	16,558	-
Repairs and maintenance	3,227	-
Internet Expense	15,296	-
Cleaning and Sanitation	2,293	-
Central depository fees	2,578	-
Telephone Expense: Mobile	1,755	-
Exchange difference	728	-
	-----	-----
	<b>230,790</b>	44,578
	=====	=====

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

### 7. Property, plant and equipment

#### 31 December 2020

	Furniture & Fittings GH¢	Computers GH¢	Total 31-Dec-20 GH¢
<b>Cost:</b>			
Balance as at 1 January	174,141	31,715	205,856
Additions during the year	-	-	-
	-----	-----	-----
	174,141	31,715	205,856
	=====	=====	=====
<b>Depreciation:</b>			
Balance as at 1 January	8,707	3,964	12,671
Charged for the year	17,414	7,929	25,343
	-----	-----	-----
	26,121	11,893	38,014
	=====	=====	=====
<b>Net book value:</b>			
31 December 2020	148,020	19,822	167,842
	=====	=====	=====

#### 31 December 2019

	Furniture & Fittings GH¢	Computers GH¢	Total 31-Dec-19 GH¢
<b>Cost:</b>			
Balance as at 1 January	-	-	-
Additions during the year	174,141	31,715	205,856
	-----	-----	-----
	174,141	31,715	205,856
	=====	=====	=====
<b>Depreciation:</b>			
Balance as at 1 January	-	-	-
Charged for the year	8,707	3,964	12,671
	-----	-----	-----
	8,707	3,964	12,671
	=====	=====	=====
<b>Net book value:</b>			
31 December 2019	165,434	27,751	193,185
	=====	=====	=====

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2020

<b>8. Other assets</b>		<b>2020</b>		2019
		<b>GH¢</b>		GH¢
Directors Current Account		<b>23,537</b>		8,853
Prepayments		<b>376,439</b>		264,195
		<b>399,976</b>		273,048
		<b>=====</b>		<b>=====</b>
<b>9. Cash and cash equivalents</b>		<b>2020</b>		2019
		<b>GH¢</b>		GH¢
Bank balances		<b>8,817,623</b>		<b>608,289</b>
		<b>8,817,623</b>		<b>608,289</b>
		<b>=====</b>		<b>=====</b>
<b>10. Related party balances</b>		<b>2020</b>		2019
		<b>GH¢</b>		GH¢
<b>10a .</b> Sarpong Capital Limited receivables		<b>276,179</b>		-
<b>10b.</b> Sarpong Capital Limited Payables		<b>(110,763)</b>		-
		<b>165,416</b>		-
		<b>=====</b>		<b>=====</b>
<b>11. Stated capital</b>				
a. The authorised capital is 10,000,000 shares of no par value.				
b. Stated capital is made up as follows:				
		<b>'2020</b>		2019
		<b>No. of</b>		<b>Stated</b>
		<b>Shares</b>		<b>Capital</b>
				<b>GH¢</b>
				<b>No. of</b>
				<b>Shares</b>
				<b>Capital</b>
				<b>GH¢</b>
Issued for cash		<b>2,000</b>	<b>1,500,000</b>	1,000
		<b>=====</b>	<b>=====</b>	<b>=====</b>
<b>12. Other liabilities</b>		<b>2020</b>		2019
		<b>GH¢</b>		GH¢
Accounts payable		<b>31,906</b>		5,000
Other creditors		<b>150</b>		-
Accrued Interest		<b>366,668</b>		-
		<b>398,724</b>		5,000
		<b>=====</b>		<b>=====</b>

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the period ended 31 December 2020

### 13. Taxation

13a. Year of assessment	At 1 January GH¢	Charge for the year GH¢	Paid during the year GH¢	At 31 December GH¢
2019	-	-	-	-
2020	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
	=====	=====	=====	=====

The final tax position is subject to agreement by the Ghana Revenue Authority.

### 13b. Deferred Tax

	2020 GH¢	2019 GH¢
Opening balance	-	-
Charge to income statement	(82,515)	-
	-----	-----
	(82,515)	-
	=====	=====

### 13c. Income tax expense

	2020 GH¢	2019 GH¢
Current income tax	-	-
Deferred tax (note 14b)	(82,515)	-
	-----	-----
	(82,515)	-
	=====	=====

### 13d. National Fiscal Stabilization Levy

	2020 GH¢	2019 GH¢
Charge for the Year b/f	-	-
Charge to statement of profit or loss and other comprehensive income	-	-
Payment	-	-
	-----	-----
Balance c/f	-	-
	=====	=====

In accordance with the National Fiscal Stabilization Act, 2013 (Act 862) all companies in Banking, Non-Bank Financial Institutions, Insurance, Mining, Brewery and Communication are supposed to pay a levy of 5% of profit before tax towards National Fiscal Stability.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the period ended 31 December 2020

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**14. Capital commitments**

There were no capital commitments as at 31 December 2020.

**15. Contingent liabilities**

There was no contingent liabilities as at 31 December 2020.

**16. Events after reporting period**

There were no events after the reporting date of 31 December 2020.

**AA&K CHARTERED ACCOUNTANTS**

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