

**Deloitte.**

**Sarpong Capital Markets Limited**

**Report and financial statements  
31 December 2022**

## Sarpong Capital Markets Limited

# Report and financial statements 2022

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## Sarpong Capital Markets Limited

### Corporate information

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<b>Directors:</b>	Justice Boahen - Board Chairman Kofi Adusei Koduah-Sarpong Yaw Sarpong
<b>Solicitor:</b>	Ferociter Chambers No. 1 Labone Link GL - 027 - 0268 Labone - Accra
<b>Secretary:</b>	Dehands Services 9 Carrot Avenue Adjacent Lizzy's Sports Complex East Legon P.O. Box CT 9347 Cantonments - Accra Ghana
<b>Registered office:</b>	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
<b>Auditor:</b>	Deloitte & Touche Chartered Accountants The Deloitte Place Plot No.71 Off George Walker Bush Highway North Dzorwulu P.O. Box GP 453 Accra - Ghana
<b>Bankers:</b>	Consolidated Bank Ghana Limited Ecobank Ghana Limited Standard Chartered Bank Ghana Limited Absa Bank Ghana Limited Guaranty Trust Bank (Ghana) Limited FBNBank Ghana Limited Access Bank (Ghana) Plc

# Sarpong Capital Markets Limited

## Report of the directors

In accordance with the requirements of Section 136 of the Companies Act, 2019, (Act 992), the Directors have the pleasure in presenting the report for the year ended 31 December 2022.

### 1. Principal activities

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. Financial results

	2022	2021
	GH¢	GH¢
The balance brought forward on retained Profit/(loss) for the year after taxation	<b>(284,911)</b>	(265,352)
	<b>3,666,397</b>	(19,559)
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Leaving a balance to be carried forward on	<b>3,381,486</b>	(284,911)
	=====	=====

### 3. Nature of business

There was no change in the nature of the business during the year.

### 4. Particulars of entries in the Interests Register during the financial year

No Director had any interest in contracts and proposed contracts with the Company during the year

### 5. Shareholding

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

### 6. Domestic Debt Exchange Impact

On 5 December 2022, the Government of Ghana launched the Ghana's Domestic Debt Exchange programme. This was an invitation for the voluntary exchange of about GHS130 billion of the domestic bonds of the Republic, including E.S.L.A. and Daakye bonds, for a package of New Bonds to be issued by the Republic.

This was part of a comprehensive programme that aimed at bringing the public debt stock back on a sustainable path as part of a requirement to allow Ghana's economy to recover from its economic crisis and unlock financial assistance from the International Monetary Fund (IMF). The company participated and exchanged its holdings in bonds for new variant bonds. Participating in the DDEP resulted in estimated impairment loss recognised in the financial statements. However, it did not affect the ordinary operations of the company. Prudent measures are also put in place to ensure operational safety and soundness.

### 7. Auditor and audit fees

In accordance with Section 139(5) of the Companies Act, 2019 (Act 992), Deloitte & Touche will remain in office as auditors for the company.

As at 31 December 2022, the amount payable in respect of audit fees was GH¢198,000 (2021:GH¢62,400).

## Sarpong Capital Markets Limited

# Report of the directors - continued

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### 8. Dividend

The directors proposed a dividend of GH¢ 1.604 per share amounting to GH¢ 1,604,390 for the year ended 31 December 2022 (2021: nil)

### 9. Directors' capacity building

Directors of the company did not engage in any capacity building activity within the year.

### 10. Corporate social responsibility


The Company did not engage in any corporate social responsibility activity during the year.

### 11. 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.

### 12. Approval of the report of the directors and the financial statements

The report of the directors and the financial statements were approved by the board of directors on 29 May, 2023 and signed on their behalf as follows:

Director.....

Date: 29 May 2023

Director.....

Date: 29 May 2023

## **Sarpong Capital Markets Limited**

# **Statement of directors' responsibilities**

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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 Standard for Small and Medium-sized Entities (IFRS for SMEs) and 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.



## 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, set out on pages 10 to 36, which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity 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 2022 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and in the manner required by the Companies Act, 2019 (Act

#### 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 Auditors' 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 Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Ghana.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

#### Key audit matter: Recognition of Commission Income

The Company generates its commission income by brokering the sale and purchase of foreign currencies between interbank market participants. Each transaction generates a commission. The interbank participant that the Company acts on behalf pays the commission to the Company after receiving the Company's invoice. For the year under review, recorded revenue from Foreign Exchange commissions was GH¢ 8,589,417.

Invoices are raised based on the outcome of these transactions, and there is a risk that the invoices raised may not be accurate. Accordingly, we have identified this as a significant risk of material misstatement and a key audit matter for our audit.





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

### **How the matter was addressed in the audit**

We evaluated the design and tested the implementation and operating effectiveness of the key controls over the approval of invoices.

In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence, and authority of person(s) performing the control, frequency and consistency with which the control is performed.

In testing the implementation of the controls, we selected one sample to determine whether the control operated at a point during the year.

In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency to determine whether the control operated during the year.

We performed substantive testing to ensure that the transactions have occurred and are accurate.

The procedures specifically performed, provided sufficient and appropriate evidence to provide a reasonable conclusion on the revenue derived from the commission income stream.

### **Other information**

The directors are responsible for the other information. The other information comprises of the Report of the Directors and Statement of Directors' Responsibilities, which we obtained prior to the date of this auditor's report. 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 Standard 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.



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

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.

### **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 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.



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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 given to us, were in the manner required by the Companies Act, 2019 (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 comprehensive income for the financial year.
3. The Company's statement of financial position and statement of comprehensive income are in
4. We are independent of the Company, pursuant to Section 143 of the Companies Act, 2019 (Act 992)

The engagement partner on the audit resulting in this independent auditor's report is **Emmanuel Martey (ICAG/P/1476)**.

*Deloitte & Touche*

**For and on behalf of Deloitte & Touche (ICAG/F/2023/129)**

**Chartered Accountants**

**The Deloitte Place**

**Plot No.71**

**Off George Walker Bush Highway**

**North Dzorwulu**

**Accra - Ghana**

*29th May* ..... 2023

## Sarpong Capital Markets Limited

# Statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 GH¢	2021 GH¢
Interest income	6	25,326,040	28,771,404
Interest expense	7	(25,004,068)	(27,810,931)
<b>Net interest income</b>		<b>321,972</b>	960,473
Commission income	8	8,589,417	1,963,295
Trading income	8	3,276,880	295,306
<b>Non-interest income</b>		<b>11,866,297</b>	2,258,601
Income on investments		1,346,298	575,878
Other income	9	312,912	-
Other operating income		1,659,210	575,878
<b>Net revenues</b>		<b>13,847,479</b>	3,794,951
<b>Operating expenses</b>			
Impairment loss on financial asset	11	(97,651)	-
Personnel expense	12	(4,500,151)	(1,098,920)
Depreciation and amortisation	13	(232,910)	(54,419)
Administrative expenses	10	(2,681,215)	(1,115,868)
Finance cost		(1,361,096)	(1,400,000)
<b>Total operating expenses</b>		<b>(8,873,023)</b>	(3,669,207)
<b>Profit before taxation</b>		<b>4,974,455</b>	125,745
Income tax expense	22c	(1,308,058)	(145,304)
<b>Profit/(loss) for the period</b>		<b>3,666,397</b>	(19,559)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>3,666,397</b>	(19,559)

The notes on pages 14 to 36 form an integral part of these financial statements.

## Sarpong Capital Markets Limited

# Statement of financial position

As at 31 December 2022

	Notes	2022 GH¢	2021 GH¢
<b>Assets</b>			
Cash and cash equivalents	17	7,714,166	1,010,113
Related party balances	18	3,461,948	1,345,611
Property, plant and equipment	13	987,495	973,255
Investments held	15	7,549,195	7,636,183
Securities held for clients		7,031,170	-
Corporate tax asset		-	2,979
Other assets	14	937,844	848,316
<b>Total assets</b>		<b>27,681,818</b>	<b>11,816,456</b>
<b>Liabilities</b>			
Unsecured capital note	16	4,500,000	5,000,000
Current tax liability	22a	736,675	-
Other liabilities	21	6,574,294	1,708,579
Deferred tax	22b	128,193	62,789
Clients fund held		7,031,170	-
<b>Total liabilities</b>		<b>18,970,332</b>	<b>6,771,368</b>
<b>Capital and reserves</b>			
Stated capital	19	2,330,000	1,500,000
Deposit for shares		-	830,000
Unsecured convertible non-cumulative preferred capital notes	20	3,000,000	3,000,000
Retained earnings		3,381,486	(284,911)
<b>Total capital and reserves</b>		<b>8,711,486</b>	<b>5,045,089</b>
<b>Total equity &amp; liabilities</b>		<b>27,681,818</b>	<b>11,816,456</b>

Director

Date:

29 May 2023

Director

Date:

29 May 2023

The notes on pages 14 to 36 form an integral part of these financial statements.



## Sarpong Capital Markets Limited

### Statement of changes in equity For the year ended 31 December 2022

2022	Stated capital GH¢	Deposit for shares GH¢	Retained earnings GH¢	Total GH¢
Balance as 1 January	1,500,000	830,000	(284,911)	2,045,089
Introduction of capital	830,000	(830,000)	-	-
Profit for the year	-	-	3,666,397	3,666,397
<b>Balance as 31 December</b>	<b>2,330,000</b>	<b>-</b>	<b>3,381,486</b>	<b>5,711,486</b>

2021	Stated capital GH¢	Deposits for shares GH¢	Retained earnings GH¢	Total GH¢
Balance as 1 January	1,500,000	-	(265,352)	1,234,648
Deposit for shares	-	830,000	-	830,000
Loss for the year	-	-	(19,559)	(19,559)
<b>Balance as 31 December</b>	<b>1,500,000</b>	<b>830,000</b>	<b>(284,911)</b>	<b>2,045,089</b>

The notes on pages 14 to 36 form an integral part of these financial statements.

## Sarpong Capital Markets Limited

# Statement of cash flows

For the year ended 31 December 2022

	2022 GH¢	2021 GH¢
<b>Cash flows from operating activities</b>		
Profit before tax	4,974,455	125,745
<b>Adjustments for non-cash income and expenses:</b>		
Depreciation on property, plant and equipment	232,910	54,419
Impairment loss of financial asset	97,651	-
	<u>5,305,016</u>	<u>180,164</u>
<b>Movements in working capital</b>		
Changes in other assets	(89,528)	(448,340)
Changes in related party balances	(2,116,337)	(1,069,432)
Changes in other liabilities	4,865,715	1,199,092
	<u>7,964,866</u>	<u>(138,516)</u>
<b>Net cash from operating activities</b>		
Tax paid	(503,000)	(2,979)
	<u>7,461,866</u>	<u>(141,495)</u>
<b>Net cash generated from/(used in) operating activities</b>		
<b>Investing activities</b>		
Additions to property, plant & equipment	(247,150)	(859,832)
Investments held	(10,663)	(7,636,183)
	<u>(257,813)</u>	<u>(8,496,015)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Deposit for shares	-	830,000
Unsecured capital notes introduced	(500,000)	-
	<u>(500,000)</u>	<u>830,000</u>
<b>Net cash (used in)/generated from financing activities</b>		
<b>Net change in cash and cash equivalents</b>	<u>6,704,053</u>	<u>(7,807,510)</u>
Bank and cash balances at 1 January	1,010,113	8,817,623
	<u>7,714,166</u>	<u>1,010,113</u>
	=====	=====
<b>Analysis of cash &amp; cash equivalent</b>		
Bank and cash balance at 31 December	<u>7,714,166</u>	<u>1,010,113</u>
	=====	=====

The notes on pages 14 to 36 form an integral part of these financial statements.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### 1. Reporting entity

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

#### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and its interpretations as issued by International Accounting Standards Board (IASB).

#### b) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial instruments and other assets that are stated at fair values.

#### c) Functional and presentational currency

The financial statements are presented in Ghana Cedis (GH¢) which is the company's functional and presentation currency.

#### d) Use of estimates and judgement

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

The estimates and the underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

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¢).

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

### 3. Adoption of new and revised standards

#### ***New and revised IFRS Standards in issue but not yet effective***

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

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

#### ***Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent***

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

#### ***Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework***

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.



## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### **Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

### **Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts—Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

### **Annual Improvements to IFRS Standards 2018-2020—Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture**

The Annual Improvements include amendments to four Standards:

#### **IFRS 1 First-time Adoption of International Financial Reporting Standards**

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### **IFRS 9 Financial Instruments**

The amendment clarifies that in applying the '10 per cent' test to assess whether to recognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### **IFRS 16 Leases**

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

### **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

### **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### **Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising***

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

### **4. Use of estimates and assumptions**

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **a) Deferred tax assets and liabilities**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognised 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 recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

#### **b) Useful lives of property, plant and equipment**

The company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.



## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### c) Fair value measurement and valuation process

In estimating the fair value of an asset or liability, the company uses market-observable data to the extent that it is available. Where level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

### d) Contingencies

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur.

The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and use of estimates regarding the outcome of future events.

## 5. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial statements, unless otherwise indicated.

### a. 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

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.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### a. Fair value measurement - continued

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.

### b. Revenue recognition

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:

#### i. 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.

#### ii. 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.

#### iii. 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.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### **c. Property, plant and equipment**

#### **i. Recognition and measurement**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers is initially measured at fair value at the date on which control is obtained. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount

A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

#### **ii. Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### **iii. Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is derecognised upon on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### iii. Depreciation - continued

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

The details are as follows:

Fittings and fixtures	10%
Computers	25%
Motor vehicles	20%
Plant	10%
Mobile phones	33.33%

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly

### d. Foreign currency translations

#### Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Ghana cedi ("GH¢"), which is the Company's functional currency. The GH¢ is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### e. Financial instrument

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.



## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

### (i) Amortised cost and effective interest method

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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### (i) Amortised cost and effective interest method - continued

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item

### (ii) Debt instruments classified as at FVTOCI

Debt instruments may initially be measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

### (iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### (iii) Equity instruments designated as at FVTOCI - continued

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

### (iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item and
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.



## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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### **Financial liabilities - Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### **Derecognition**

#### **Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### **Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different in which case new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Other financial liabilities comprise trade and other payables and payable to related parties.

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### **Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### **f. Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding Company overdrafts.

### **g. Taxation**

#### **Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## **Sarpong Capital Markets Limited**

# **Notes to the financial statements**

**For the year ended 31 December 2022**

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### **Current and deferred income tax - continued**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **h. Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

### **i. Critical accounting estimates and judgements**

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Fair value of quoted instruments**

The Company holds financial assets at fair value through profit or loss that are traded in an active market. These investments are stated at their fair values.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

<b>6. Interest income</b>	<b>2022</b>	<b>2021</b>
	<b>GH¢</b>	<b>GH¢</b>
Interest income - trading	<b>25,326,040</b>	28,771,404
	=====	=====
<b>7. Interest expense</b>		
Interest expense - trading	<b>25,004,068</b>	27,810,931
	=====	=====
<b>8. Non interest income</b>	<b>2022</b>	<b>2021</b>
	<b>GH¢</b>	<b>GH¢</b>
Commission income	<b>8,589,417</b>	1,963,295
Trading income	<b>3,276,880</b>	295,306
	-----	-----
	<b>11,866,297</b>	2,258,601
	=====	=====
<b>9. Other income</b>	<b>2022</b>	<b>2021</b>
	<b>GH¢</b>	<b>GH¢</b>
Exchange difference	<b>312,912</b>	-
	=====	=====

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

<b>10. Administrative expenses</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Audit fees	<b>198,000</b>	62,400
Directors fees	-	23,438
Pre operating expenses amortised	-	67,254
Consultancy fees	<b>236,162</b>	-
Bank charges	<b>31,947</b>	13,703
Rent expense	<b>227,685</b>	160,233
Professional fees	<b>234,541</b>	32,608
Trainings and seminars	<b>11,132</b>	11,580
Transportation and travel	<b>327,716</b>	97,858
Office supplies	<b>254,932</b>	109,104
Security	<b>21,365</b>	18,142
Repairs and maintenance	<b>70,012</b>	15,724
Insurance	<b>51,715</b>	-
Computer/technology/IT expenses	<b>790,378</b>	260,840
Internet service expense	<b>43,897</b>	23,107
Cleaning and sanitation	<b>20,984</b>	15,541
Utilities	<b>33,947</b>	15,237
Licences & fees	<b>44,487</b>	81,097
Telephone expense	<b>13,968</b>	6,678
Printing, reproduction & other	<b>18,411</b>	12,581
Bad & doubtful debts	<b>13,991</b>	88,745
Subscriptions & periodicals	<b>35,946</b>	-
	-----	-----
	<b>2,681,215</b>	1,115,868
	=====	=====
<b>11. Impairment loss on financial asset</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Domestic Debt Exchange Program	<b>97,651</b>	-
	=====	=====
<b>12. Personnel expenses</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Medical expenses	<b>77,021</b>	40,850
Payroll expense	<b>2,455,782</b>	1,058,070
Bonus & commissions	<b>1,967,349</b>	69,192
	-----	-----
	<b>4,500,151</b>	1,098,920
	=====	=====
Number of employees 2022 - 12 (2021 - 8)		



## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

### 13. Property, plant and equipment

31 December 2022	Motor vehicles GH¢	Plant GH¢	Mobile phones GH¢	Furniture & Fittings GH¢	Computers GH¢	Total GH¢
<b>Cost</b>						
Balance as at 1 January	830,000	-	-	175,798	59,890	1,065,688
Additions during the year	-	52,500	29,250	46,912	118,488	247,150
<b>31 December 2022</b>	<b>830,000</b>	<b>52,500</b>	<b>29,250</b>	<b>222,710</b>	<b>178,378</b>	<b>1,312,838</b>
<b>Accumulated depreciation</b>						
Balance as at 1 January	24,167	-	-	43,535	24,731	92,433
Charge for the year	166,000	4,813	6,407	20,818	34,873	232,910
<b>31 December 2022</b>	<b>190,167</b>	<b>4,813</b>	<b>6,407</b>	<b>64,353</b>	<b>59,604</b>	<b>325,343</b>
<b>Net book value</b>						
<b>As at 31 December 2022</b>	<b>639,833</b>	<b>47,688</b>	<b>22,843</b>	<b>158,357</b>	<b>118,774</b>	<b>987,495</b>

## Sarpong Capital Markets Limited

### Notes to the financial statements

For the year ended 31 December 2022

#### 13. Property, plant and equipment - continued

31 December 2021	Motor vehicles GH¢	Furniture & fittings GH¢	Computers GH¢	Total GH¢
Cost				
Balance as at 1 January	-	174,141	31,715	205,856
Additions during the year	830,000	1,657	28,175	859,832
	-----	-----	-----	-----
	830,000	175,798	59,890	1,065,688
	=====	=====	=====	=====
Accumulated depreciation				
Balance as at 1 January	-	26,121	11,893	38,014
Charge for the year	24,167	17,414	12,839	54,419
	-----	-----	-----	-----
	24,167	43,535	24,731	92,433
	=====	=====	=====	=====
Net book value as at 31 December 2021	805,833	132,263	35,159	973,255
	=====	=====	=====	=====

#### 14. Other assets

	2022 GH¢	2021 GH¢
Prepayments	290,922	403,191
Trade receivables	621,468	362,250
Staff receivables	25,454	67,744
Other	-	15,132
	-----	-----
	937,844	848,316
	=====	=====

#### 15. Investments held

	2022 GH¢	2021 GH¢
Held to maturity	7,646,846	7,636,183
Bond exchange impairment	(97,651)	-
	-----	-----
	7,549,195	7,636,183
	=====	=====

These are government of Ghana bonds which are purchase to be held to maturity. The average interest rate on the held to maturity investments are 91-day Treasury bill rate 35.36%; 182-day Treasury bill 35.90%; 364-day Treasury bill 36.10%; 2-year Notes 21.5%; 5-year Notes 22.30%; 7-year Note 18.10% and 10-year Note 19.75%. Impairment was charged on investments in Government of Ghana bonds as there was a default during the year, resulting in debt exchange

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

<b>16. Unsecured capital note</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Promissory note	<b>4,500,000</b>	5,000,000
	=====	=====

The promissory note of GH¢ 5,000,000 to Sarpong Capital Markets Limited was obtained from Makesa Limited on August 31 2020 at a fixed interest rate of 16 percent (%) per annum accruing on the 180th day of each six month anniversary. The note commences from September 1 2020 and matures on August 31 2025. On September 29 2022, the lender (Makesa Limited) requested for a partial redemption of GH¢ 500,000.

<b>17. Cash and cash equivalents</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Bank balances	<b>7,714,166</b>	1,010,113
	=====	=====

<b>18. Related party balances</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Sarpong Capital Limited receivables	<b>3,461,948</b>	1,345,611
	=====	=====

**19. Stated capital**  
The authorised capital is 10,000,000 shares of no par value.  
Stated capital is made up as follows:

	2022		2021	
	No. of Shares	Stated Capital GH¢	No. of Shares	Stated Capital GH¢
Issued for cash	<b>1,000</b>	<b>2,330,000</b>	1,000	1,500,000
	-----	-----	-----	-----
	<b>1,000</b>	<b>2,330,000</b>	1,000	1,500,000
	=====	=====	=====	=====

<b>20. Unsecured convertible non-cumulative preferred capital notes</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Preferred capital note	<b>3,000,000</b>	3,000,000
	=====	=====

The preferred capital note of GH¢ 3,000,000 to Sarpong Capital Markets Limited was obtained from Makesa Limited on August 31 2020 together with a fixed distribution rate at 20 percent (%) per annum with distributions accruing on the 180th day of each six month anniversary. The note commences from November 1 2020 and matures on October 31 2027.

## Sarpong Capital Markets Limited

# Notes to the financial statements

For the year ended 31 December 2022

<b>21. Other liabilities</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Accounts payable	<b>195,008</b>	191,060
Trade payables	<b>3,791,212</b>	71,313
Other creditors	<b>1,597,444</b>	183,050
Interest payables	<b>146,199</b>	-
Directors' account	-	29,821
Accrued interest	<b>844,431</b>	1,233,335
	-----	-----
	<b>6,574,294</b>	1,708,578
	=====	=====

## 22. Taxation

### a. Year of assessment

	At 1 January	Charge for	Paid during the	At 31 December
	GH¢	the year	year	GH¢
	GH¢	GH¢	GH¢	GH¢
2021	-	-	(2,979)	(2,979)
2022	-	1,242,654	(503,000)	739,654
	-----	-----	-----	-----
	-	1,242,654	(505,979)	736,675
	=====	=====	=====	=====

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

<b>b. Deferred tax</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Opening balance	<b>62,789</b>	-
Charge to income statement	<b>65,404</b>	62,789
	-----	-----
	<b>128,193</b>	62,789
	=====	=====

<b>c. Income tax expense</b>	<b>2022</b>	2021
	<b>GH¢</b>	GH¢
Current income tax	<b>1,242,654</b>	-
Deferred tax (note 22b)	<b>65,404</b>	(82,515)
	-----	-----
	<b>1,308,058</b>	(82,515)
	=====	=====



## **Sarpong Capital Markets Limited**

# **Notes to the financial statements**

**For the year ended 31 December 2022**

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**23. Capital commitments**

There were no capital commitments as at 31 December 2022. (2021: nil)

**24. Contingent liabilities**

There was no contingent liabilities as at 31 December 2022. (2021: nil)

**25. Events after reporting period**

There were no events after the reporting date of 31 December 2022. (2021: nil)