



EDC GHANA FIXED INCOME UNIT TRUST

ANNUAL FINANCIAL
REPORT 2019

EDC GHANA FIXED INCOME UNIT TRUST

**FINANCIAL STATEMENTS
31 DECEMBER 2019**

Ecobank Head Office Building, 2nd Floor
2, Morocco Lane, Off the Independence Avenue
P.O. Box AN 16746
Accra- Ghana
Tel: (233) 0302634165 / 0302634150
Email: edc-clientservice@ecobank.com

AGM

Notice of Virtual Annual General Meeting (AGM)

Notice is hereby given that the **7th Annual General Meeting** of the Unit holders of **EDC Ghana Fixed Income Unit Trust** will be held virtually and streamed live online on **<https://www.edcghanaagm.com>** on **Wednesday September 16th, 2020 at 10:30 a.m.** for the following purposes:

1. To receive and consider the reports of the directors of the Fund Manager for the year ended December 31, 2019;
2. To consider and adopt the Audited Financial Statements together with the reports of the Trustees and Auditors for the year ended December 31, 2019;
3. To authorize the Directors of EDC Investments Limited (EIL) to determine the fees of the Auditors for the year 2020.

NOTES

General:

1. In compliance with imposition of Restriction Act 2020 (Act 1012), the Registrar General's Department and Securities and Exchange Commission (SEC) directives and guidelines on holding virtual Annual General Meeting (AGM) and as part of measures to contain COVID-19, attendance and participation by Unit Holders or their proxies in this year's AGM of the Unit Trust, shall be strictly virtual (by online participation).
2. A Unit Holder is entitled to attend and vote or may appoint a proxy to attend (via online participation) and vote on his or her behalf either online or by post. Such proxy need not be a Unit Holder. For a proxy to be valid for the purposes of the meeting, it must be completed and submitted via **trust@umbcapital.com** or deposited at **Universal Merchant Bank, SSNIT Emporium Building, Airport, 2nd Floor Corporate Banking – Custody Service** not less than 48 hours before the meeting.
3. A copy of the Proxy Form can be downloaded from **<https://edcghanaagm.com>** and may be filled, signed and sent via email to **trust@umbcapital.com** not less than forty-eight (48) hours before the commencement of the meeting.
4. The appointment of the proxy will not prevent a Unit Holder from subsequently attending and voting at the meeting (via online participation). Where a Unit Holder attends the meeting in person (participates online), the proxy appointment shall be deemed to be revoked.

AGM

Notice of Virtual Annual General Meeting (AGM) - (cont'd)

5. An electronic version of the Unit Trust's Annual Report consisting the Financial Statement, Directors', Fund Managers' and Trustee and Auditors Reports for the year ended 31st December 2019 may be accessed at **EDC's dedicated AGM** website at <https://www.edcgghanaagm.com>
6. Unit Holders are also encouraged to send in any questions in advance of the AGM by mailing them to trust@umbcapital.com. Answers to the questions will be provided at the AGM.
7. In accordance with SEC guidelines, Unit Holders are hereby informed that the Fund Manager shall amend its Constitution and the Trust Deed of the Unit Trust to provide for the holding of all meetings including Annual General Meetings by virtual means where the Directors of EIL deem it necessary so to do.

Accessing and Voting at the Virtual AGM

8. To access and vote at the Virtual AGM, a unique token number will be sent to Unit Holders by email and/or SMS from **September 1st, 2020** to give access to the meeting. Unit Holders who do not receive this token can contact **our client care team** on: edc-clientservice@ecobank.com or call **0302634165 / 0302634150** to be sent the unique token any time before the date of the AGM.
9. To gain access to the Virtual AGM, Unit Holders must visit [edcgghanaagm.com](https://www.edcgghanaagm.com) and input their unique token number on the portal to join in and vote electronically during the meeting.
10. Further assistance on accessing the meeting and voting electronically can be found on <https://www.edcgghanaagm.com>.

Dated this 13th day of August 2020

BY ORDER OF THE BOARD
Lawfields Consulting
Secretary

CONTENT

Notice of Annual General Meeting	3	21	Statement of Comprehensive Income
Officials, Registered Office, Etc.	7	22	Statement of Movement in Net Assets
Report of the Directors	8	22	Statement of Changes in Equity
Report of the Auditors	10	23	Statement of Movement in Issued Units
Portfolio Manager's Report	12	23	Statement of Cashflow
Report of Trustees	18	24	Notes to the Financial Statements
Statement of Net Assets	19	39	Proxy Form
Statement of Financial Position	20		

EDC Investments limited

Secure the future you want

Invest in the EDC Ghana Fixed Income Unit Trust
Start with as little as GH¢ 50.

Contact us on: 2nd Floor, New Ecobank Head Office,
2 Morocco Lane, Off the Independence Avenue
Telephone: 0302634165
Email: edc-clientservice@ecobank.com



Terms and Conditions Apply

ecobank.com/swam



Ecobank
The Pan African Bank

PARTICULARS OF SERVICE PROVIDERS

DIRECTORS OF FUND MANAGER	Mr. Paul-Harry O. S Aithnard (Chairman) Mrs. Rosemary Yeboah Mr. Marcel Yondo-Nkembe Mr. Paul Mante (Managing Director)- EIL
FUND MANAGER	EDC Investments Limited 2 Morocco Lane Off independence Avenue 2nd Floor Ecobank Ghana Head Office P. O. Box AN 16746 Accra Ghana
TRUSTEE	Universal Merchant Bank SSNIT Emporium Building Airport 2nd Floor Corporate Banking- Custody Service
AUDITORS	John Kay and Co. Chartered Accountants 7th Floor, Trust Towers Farrar Avenue, Adabraka P.O. Box 16088 Airport, Accra
BANKERS	Ecobank Ghana Limited Ring Road Central Accra.

REPORT OF DIRECTORS OF THE FUND MANAGER TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST

The Board of Directors of EDC Investment Limited (Fund Managers) presents the report and audited financial statements of EDC Ghana Fixed Income Unit Trust for the year ended 31 December, 2019.

FINANCIAL STATEMENTS

The results for the year ended 31 December 2019 are set out in the attached financial statements.

The Board of Directors of the Fund Manager considers the state of the affairs of the Unit Trust to be satisfactory

NATURE OF BUSINESS

EDC Ghana Fixed Income Unit Trust is a unit trust registered in Ghana. It is licensed by the Securities and Exchange Commission, Ghana and authorized to operate as a Unit Trust, in line with the Unit Trust and Mutual Fund Regulation, 2001 (L.I. 1695).

EDC Ghana Fixed Income Unit Trust is an open-ended unit trust offered to investors who are seeking current income on a steady basis while preserving capital. The Unit Trust's objective is to outperform short term interest rates being offered on Government securities. The Unit Trust shall be wholly invested in fixed income securities.

DIVIDEND DISTRIBUTION POLICY

The Unit Trust does not distribute income. All income earned are reinvested.

Unit holders should be aware that the unit trust aims to achieve capital preservation and income, and as such income is reinvested to take advantage of the effects of compounding.

Total investment as at 31 December is made up as follows

	2019 GH¢	2018 GH¢
Government Notes and Bonds	816,430,844	338,008,905
Non-Sovereign Bonds	287,602,038	188,054,023
Corporate Bonds	52,403,208	57,790,437
Fixed Deposits	113,764,639	137,489,324
Treasury Bills	-	319,379
Others	5,938,311	15,324,943
Cash and cash equivalent	9,298,702	83,081,716
	----- 1,285,437,742 =====	----- 820,068,727 =====

REPORT OF DIRECTORS OF THE FUND MANAGER TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST - (cont'd)

iii. Below are the asset allocation percentages for the year ended:

	2019	2018
	%	%
Government Notes and Bonds	64	41
Non-Sovereign Bonds	22	23
Corporate Bonds	4	7
Fixed Deposits	9	17
Treasury Bills	0	0
Others	0	2
Cash	1	10
	----	----
Total Investments	100	100
	===	===

APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Unit Trust, were approved by the Board of Directors of EDC Investment Limited (Fund Manager) on 15th June, 2020 and signed on its behalf by:



.....
DIRECTOR



.....
DIRECTOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST



John Kay & Co.

7th Floor, Trust Towers
Farrar Avenue, Adabraka
P. O. Box 16088
Airport, Accra

Tel: +233 (0) 302 235 406
+233 (0) 302 238 370
Fax: +233 (0) 302 238 371
E-mail: jkayal@yahoo.com

Opinion

We have audited the accompanying financial statements of EDC Ghana Fixed Income Unit Trust, which comprise the statement of financial position at 31 December 2019, the statement of profit or loss and other comprehensive income and the statement of movement in net assets for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 38.

In our opinion, the financial statements give a true and fair view of the financial position of EDC Ghana Fixed Income Unit Trust as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Responsibilities of the Board of Trustees' for the Financial Statements

The Board of Directors of EDC Investment Ltd is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2019, (Act 992) of

Ghana, Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695) and for such internal control as Board of Directors of EDC Investment determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors of EDC Investment is also responsible for overseeing the Unit Trust's financial reporting process.

In preparing the financial statements, the Board of Directors of EDC Investment Ltd is responsible for assessing the Unit Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors of EDC Investment Ltd either intends to liquidate the Unit Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST - (cont'd)



John Kay & Co.

7th Floor, Trust Towers
Farrar Avenue, Adabraka
P. O. Box 16088
Airport, Accra

Tel: +233 (0) 302 235 406
+233 (0) 302 238 370
Fax: +233 (0) 302 238 371
E-mail: jkayal@yahoo.com

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 Unit Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors of EDC Investment Ltd.
- Conclude on the appropriateness of Board of Directors' of EDC Investment 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 Unit Trust'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 Unit Trust 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.

Key Audit Matter

In accordance with ISAs, this part of our report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgement, were most significant in the audit of the financial statements. We determined that, there are no matters to report under key audit matters.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019, (Act 992) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- In our opinion, proper books of accounts have been kept by the Unit Trust so far as it appears from our examination of those books.
- The Unit Trust's Statement of Assets and liabilities and income and Distribution Accounts are in agreement with the books of Account.

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

JOHN ARMSTRONG YAO KLINOGO (ICAG/P/1116)

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

15th June, 2020

PORTFOLIO MANAGER'S REPORT 2019

THE ECONOMIC ENVIRONMENT IN 2019

The Ghanaian economy grew by 6.5% in 2019. This GDP growth outturn was a 0.2% increase from the 6.3% recorded in the same period of 2018. The CIEA - Composite Index of Economic Activities - recorded by the Central Bank, affirmed growth with an annual growth of 18.3% at the end of 2019 compared to 11.4% in 2018. The Services sector recorded the highest average growth rate of 7.6% followed by the Industry and Agriculture sectors which expanded by 6.4% and 4.5%, respectively.

On Government fiscal operations, Total Revenues and Grants at the end of 2019 amounted to GHS 53.48 Bn (0.05% below budget) compared to GHS 47.81 Bn in 2018 while Total Expenses also increased from GHS 58.6 Bn in 2018 to GHS 68.5 Bn (0.7% below budget) in 2019. This resulted in an overall fiscal deficit of 4.8% of GDP, slightly above the target of 4.7% of GDP but below the 5.0% fiscal rule. Regarding external sector developments, the economy recorded a trade balance of 3.4% compared to 2.8% in 2018, underpinned by growths in major export commodities. Imports increased from USD 13.1 Bn in 2018 to USD 13.3 Bn in 2019 while exports increased by 4.6% year on year from USD 14.94 Bn to USD 15.63 Bn. This together with the capital and financial account balance led to an overall balance of payment surplus of 2% compared to a deficit of 1% registered in 2018 whereas Gross International reserves increased from USD 7 Bn (3.6 months of import cover) in 2018 to USD 8.4 Bn (4 months of import cover) at the end of 2019. The Ghana cedi depreciated by 12.9% in 2019 compared to 8.4% in the prior year. The strengthening of the US Dollar and its spillover effects as well as increased domestic demand exerted pressure on the currency.

Following government's attempt to improve economic fundamentals, the disinflation process continued in 2019. Headline inflation remained broadly in single digits anchored within BOG's target of 8.0% and trended downwards from 9.4% in 2018 to 7.9% in 2019 - lowest since 2012. This 150 bps drop in inflation was in large part driven by lower food prices amidst stable non-food prices. On account of the steady decline in headline and core inflation as



Emmanuel Owusu - Portfolio Manager

well as other real sector indicators, the monetary policy stance remained unchanged at 16% since January 2019 from the initial 20%. This move by the Monetary Policy Committee resulted in a recovery in private sector credit growth enhancing financial intermediation and the overall economy.

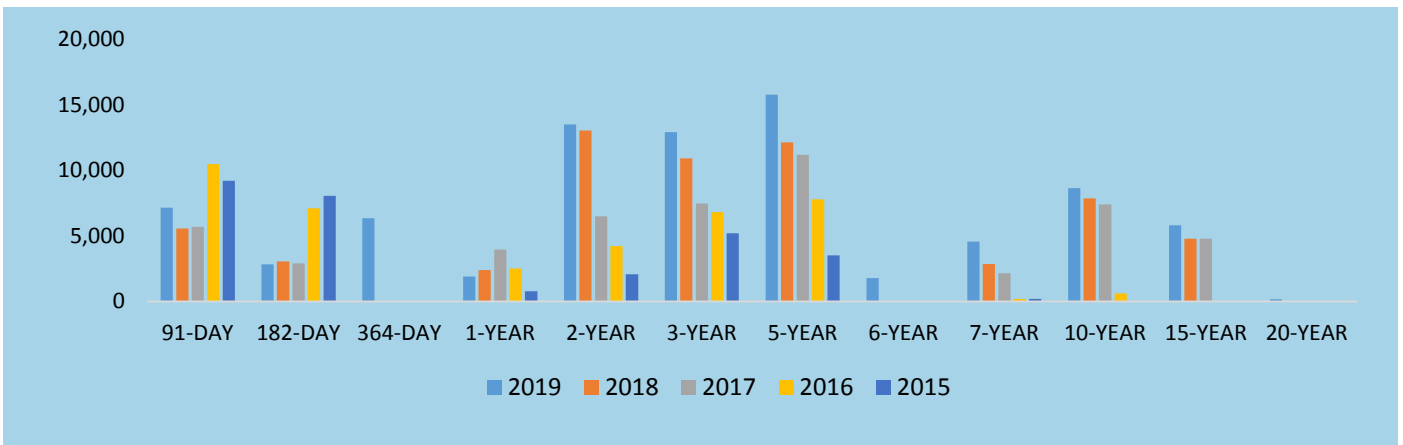
“ Regarding external sector developments, the economy recorded a trade balance of 3.4% compared to 2.8% in 2018, underpinned by growths in major export commodities. Imports increased from USD 13.1 Bn in 2018 to USD 13.3 Bn in 2019 while exports increased by 4.6% year on year from USD 14.94 Bn to USD 15.63 Bn. ”

PORTFOLIO MANAGER'S REPORT 2019 - (cont'd)

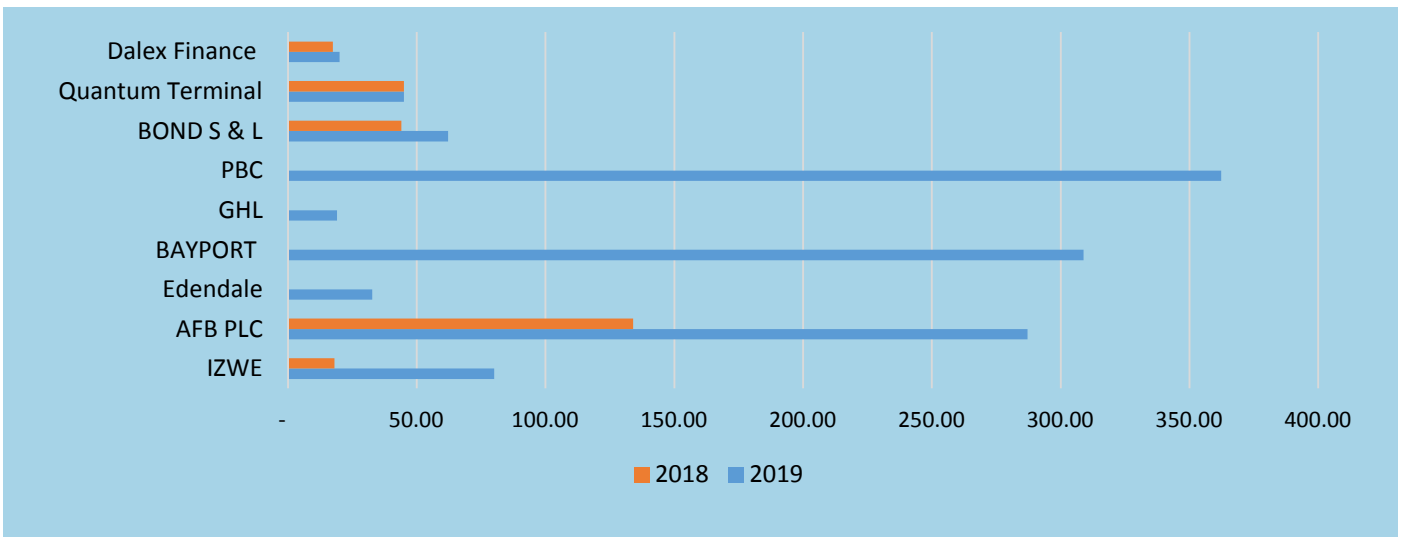
THE FIXED INCOME MARKET IN 2019

Ghana's fixed income market recorded significant growth in new issuances and secondary market trading which was buoyed by the increased levels of liquidity of Pension Funds and Collective Investment Schemes through the introduction of new products. These were in the form of repurchase agreements and the provision of the platform for corporate and parastatal institutions to issue bonds on the market. A total of GHS 81.5 Billion Government of Ghana Securities was outstanding as at the end of 2019 representing an increase of 56% compared to the same period in 2018 of which GHS 44.7 Billion were issued in 2019. In line with the Government's debt re-profiling strategy, longer dated securities were issued to lengthen the maturity profile of the domestic market. Outstanding shorter dated instruments stood at GHS 18.24 Billion representing an increment of 45%. Excluding ESLA, the total of corporate issuances was GHS 1.217 Billion representing an increment of 371% from 2018.

Total Outstanding GoG Securities (Bn)



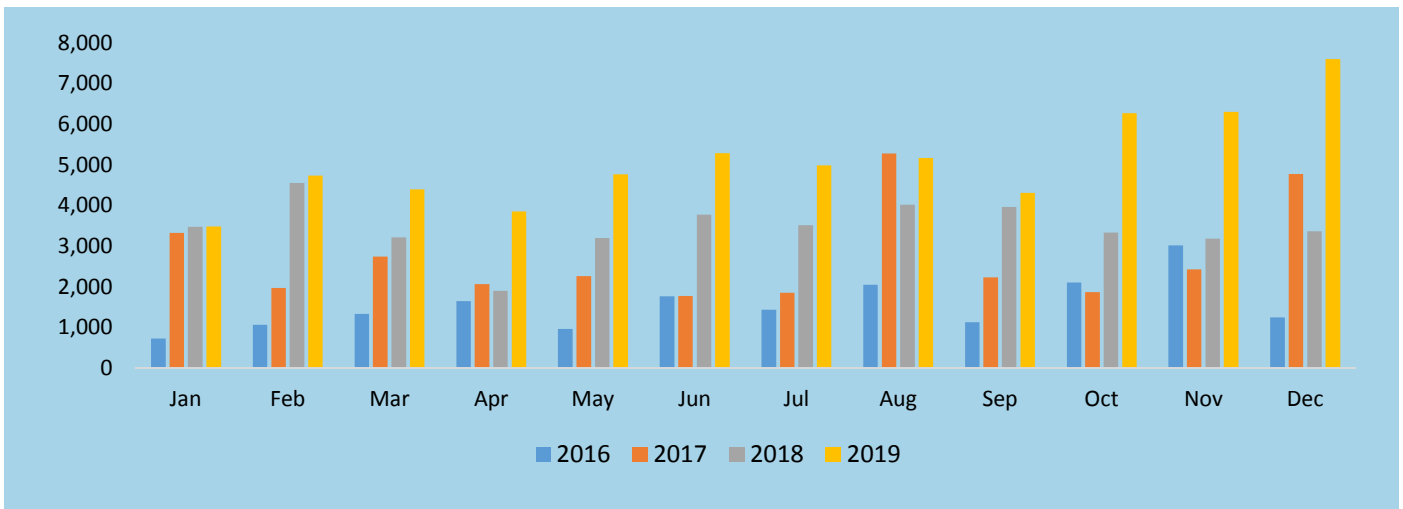
New Corporate Issuances



PORTFOLIO MANAGER'S REPORT 2019 - (cont'd)

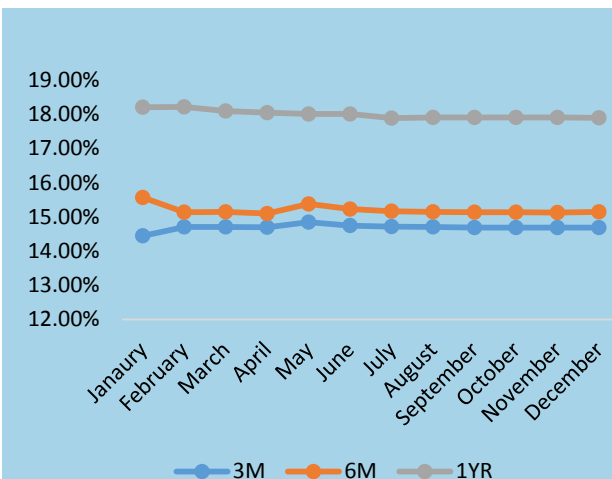
There has also been improved secondary market trading of Government of Ghana Securities resulting in better price discovery. A total of GHS 61.1 Billion was traded in 2019 which is up by 47%. The month of December recorded the highest value of trade of GHS 7.6 Billion.

GoG Secondary Market Trading Volumes

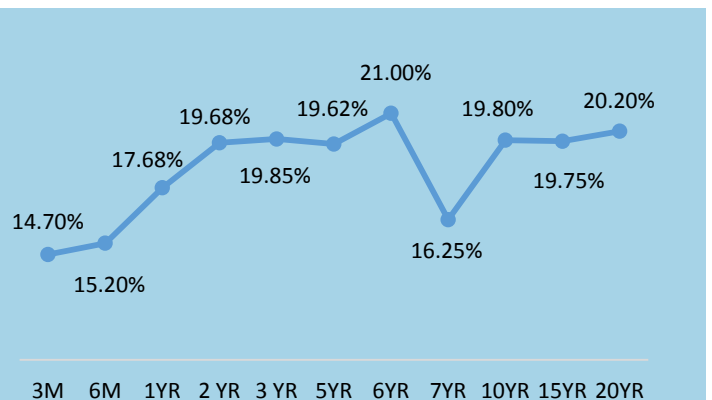


There were marginal increases in interest rates on short-dated bills across the yield curve. Yields on the 91-Day and 182-Day bills inched up from 14.5% and 15.02% in 2018 to 14.7% and 15.20% respectively with the 1-Year clearing at 17.68%. The medium-term securities (2, 3 and 5-Year) traded within the band of 19%, at higher rates compared to 2018. The 5-Year also increased by 112bps from 18.50 % to 19.5% in 2019. Owing to government's debt restructuring efforts, the longer end of the yield curve remained unchanged.

Trend in Short-Term Yields



Yield Curve 2019

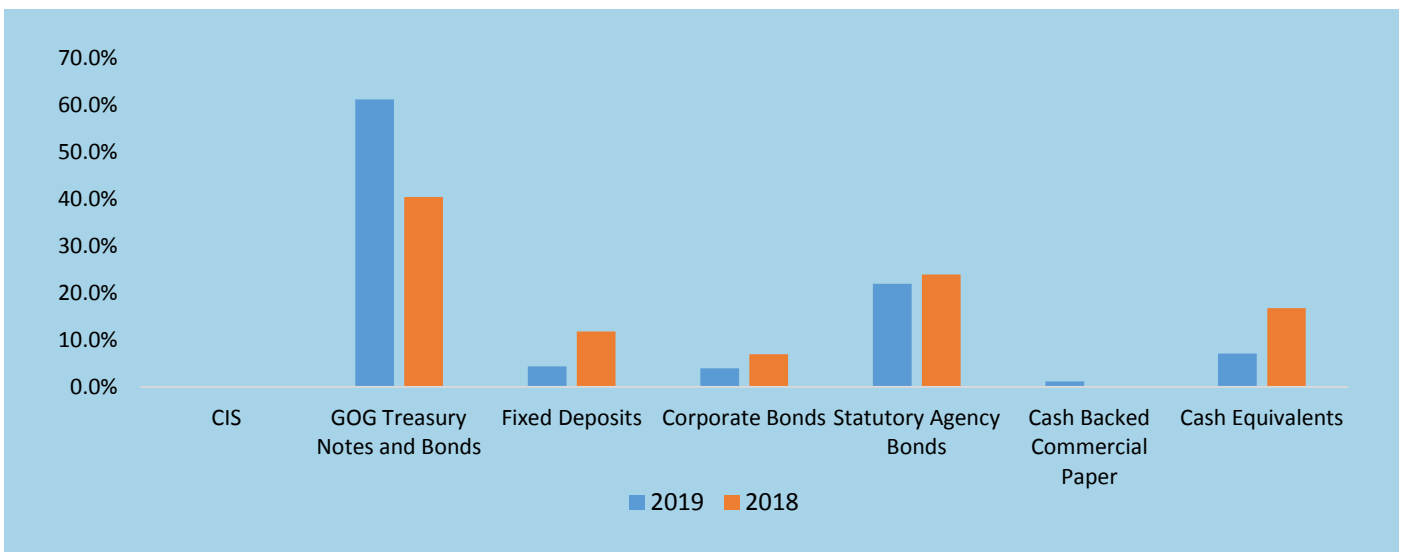


PORTFOLIO MANAGER'S REPORT 2019 - (cont'd)

PORTFOLIO STRUCTURE

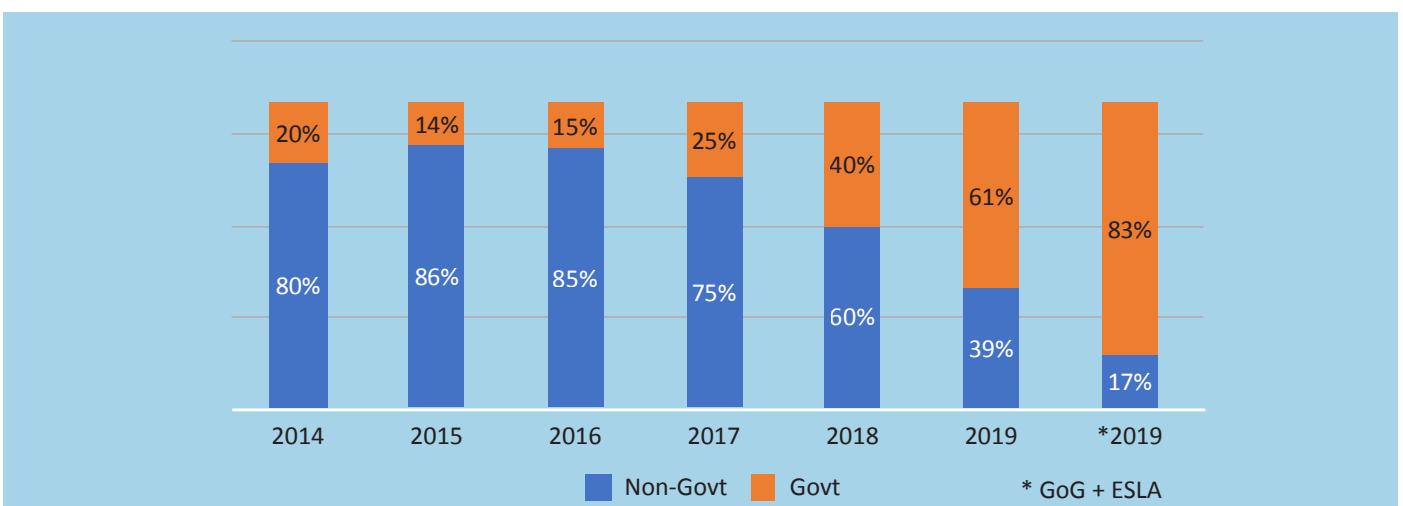
The Objective of the EDC Ghana Fixed Income Unit Trust (“The Trust”) is to achieve current income on a steady basis while preserving capital. The aim is to outperform short term interest rates being offered on Government Securities (Government of Ghana 1-year Treasury note) net of fees. The Trust invests 100% of its assets in a well-diversified portfolio of fixed income securities.

Asset Allocation (2019 vs 2018)



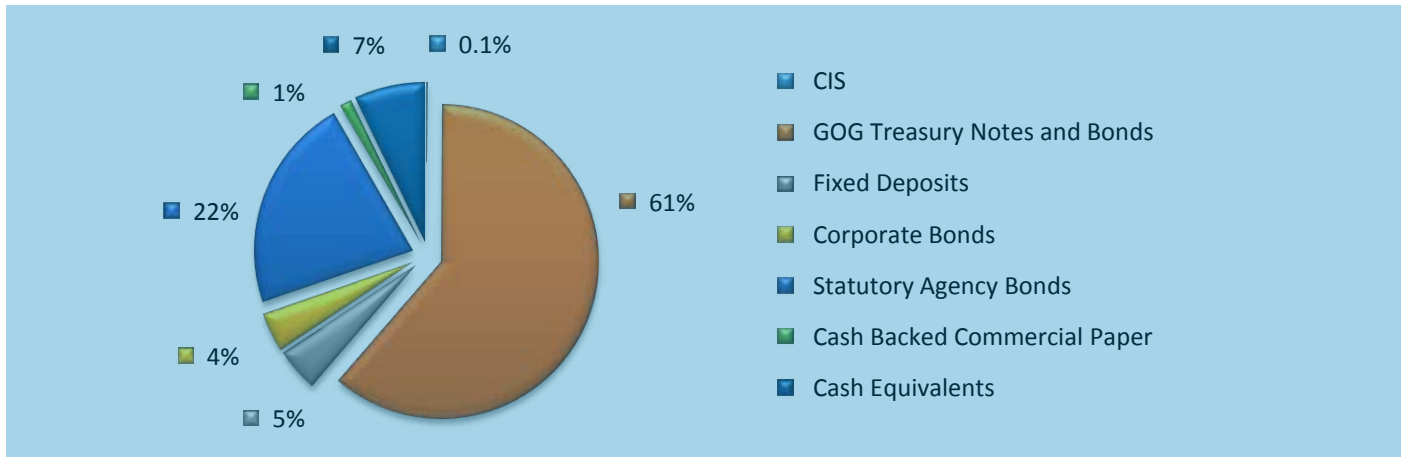
The Trust in 2019 was well within its mandate to invest 100% of its Assets under Management (AUM) in fixed income securities. Since 2016 and in anticipation of the financial industry crisis experienced in Ghana, the business has taken tactical steps in a general de-risking of our Portfolios. In 2016, Government securities made up 15% of portfolios compared to the current 63%; (this further enhances the dynamics from 63% to 85% with the inclusion of Quasi Government securities such as ESLA). This increase in our exposure also provided us with immense trading and liquidity opportunities considering the rapid development of the fixed income secondary market trading.

Asset Mix Evolution



PORTFOLIO MANAGER'S REPORT 2019 - (cont'd)

Asset Allocation (2019 vs 2018)



PORTFOLIO PERFORMANCE

The Trust returned 17.05% in 2019 compared to a benchmark return of 17.92% attributable to the discounting of 1-year note to a 364-day bill. This led to an average increment in the benchmark return by about 295bps. Since its inception in July 2012, the Trust has registered a compounded annual growth rate of 22.28%.

Performance %	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	5 Year	Since Inception
EDC Ghana Fixed Income Unit Trust	1.17	3.58	7.55	17.05	17.05	65.36	167.94	346.04
Benchmark	1.57	4.51	9.03	17.92	17.92	57.72	137.55	271.32

ASSET UNDER MANAGEMENT

The assets of the Trust continued its growth trajectory in 2019, growing by 60% from GHS 820.1million to GHS 1.31 billion; currently the largest fund in Ghana. Total subscriptions recorded for the Full Year 2019 amounted to GHS 832.5 million and total redemptions of GHS 510.8 million. This resulted in a net subscription of GHS 321.8 million. The client base of the Trust grew by 36% from 30,267 in 2018 to 41,124 as at the end of 2019.

COVID 19 DEVELOPMENT, OUTLOOK & STRATEGY.

The Ghanaian economy was on track to maintain its growth trajectory in the last 3 years. The Government had an aim of a stronger economy for jobs and prosperity with the following specific macroeconomic targets set for the 2020 fiscal year:

- Overall Real GDP growth of 6.8 percent.
- Non-Oil Real GDP growth of 6.7 percent.
- End-period inflation of 8.0 percent.
- Overall Fiscal deficit of 4.7 percent of GDP, to remain within the fiscal rule of not more than 5 percent of GDP.
- Primary surplus of 0.7 percent of GDP; and
- Gross International Reserves to cover not less than 3.5 months of import cover.

However, due to the COVID-19 pandemic, Government imposed restrictions on movement of people and social gathering. Government has had to provide details on the macro-fiscal impact and reassess its forecast. GDP is thus expected to decline from 6.8% to 0.9%.

- Significant short falls in the petroleum receipts of GHS 5.6 Bn and corresponding shortfall in Annual Budget Funding Amount of GHS 3.5 Bn
- Shortfall in import duties and tax revenues of c. GHS

PORTFOLIO MANAGER'S REPORT 2019 - (cont'd)

2.2 Bn (excluding oil tax and import duties)

- Tight financing Conditions
- Increased health related expense

The total estimated fiscal impact is GHS 9.5 Bn, translating into 2.5% of GDP. It is also estimated that fiscal deficit will increase by 60% from GHS 18.9 billion to GHS 30.2 billion. This translates into a fiscal deficit gap of 7.8% of GDP from an initial 4.7% of GDP projection in the 2020 budget. Primary Balance will correspondingly worsen from a surplus of GHS 2.8 Bn (0.7% of GDP) to a deficit of GHS 5.6 Bn (1.4% of GDP). This could be exacerbated if the costs of cleaning the financial sector and COVID 19 impact turn out to be larger-than-expected in 2020.



The cedi is likely to depreciate at a gradual pace that can allow businesses to plan appropriately, buoyed by the central bank's decision to pump about US\$715mn into the market to support the GHS in 2020. In addition, the \$3bn Eurobond is expected to boost reserves and improve import cover.



The cedi is likely to depreciate at a gradual pace that can allow businesses to plan appropriately, buoyed by the central bank's decision to pump about US\$715mn into the market to support the GHS in 2020. In addition, the \$3bn Eurobond is expected to boost reserves and improve import cover. Inflation is expected to fall within the Central

Bank's target band of 8% +/- 2% in 2020 on the back of tighter fiscal policies barring any unexpected price hikes. Although the monetary policy stance helped to reduce interest rates in the first 3 years, its effectiveness in boosting credit to the private sector was limited by unintended fallouts from the cleaning of the financial sector by regulators. A tightening of monetary policy may become necessary in 2020 as part of measures to counter exchange rate and inflation pressures (arising from increased spending in election year).

The Strategy – Stay Calm and Invest Safely

Safety should remain paramount for an investor in times like these. During these uncertain times we advise investors to be defensive and look to fly to quality assets. As such we admonish retail investors to consolidate their holdings in investment pools that are largely liquid to facilitate cash requirements needs. For institutional investors like pension funds and assurance firms, the focus should be to take advantage of depressed prices to increase holdings to match liabilities.

We continue to urge you our valued clients to continue to invest with confidence in the Trust. We remain committed to enhancing the value of your investments and your Fund will be well positioned to take advantage of the upside potential on Fixed Income instruments without compromising the Fund's objectives.

We remain committed to you and appreciate your custom and look forward to your continued support.

Emmanuel Owusu - Portfolio Manager

REPORT OF THE TRUSTEES

TO THE UNIT HOLDERS OF THE EDC GHANA FIXED INCOME UNIT TRUST FOR THE YEAR ENDED 31ST DECEMBER 2019

In our opinion, according to the information made available to us and the explanations provided, we confirm that all in all material respects, the manager has managed the scheme during the year covered by these financial statements in accordance with the Trust Deed and all regulations for the time being in force under the Unit Trust and Mutual Funds Regulations, 2001, (L.I 1695)

Dated this 15th June, 2020



For: **UNIVERSAL MERCHANT BANK LIMITED**

STATEMENT OF FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS AS AT 31 DECEMBER 2019


FIXED INTEREST SECURITIES	Market Value GH¢	Percentage of Net Asset (%)
Commercial Paper		
270- Day Commercial Paper	15,146,712	1.18
	-----	----
	15,146,712	1.18
	-----	----
Statutory Agency Bonds		
7-Year Statutory Agency Bonds	15,397,689	1.20
10-Year Statutory Agency Bonds	272,204,349	21.21
	-----	-----
	287,602,038	22.41
	-----	-----
GoG Treasury Notes & Bonds		
2 - Year Fixed Rate Notes	121,522,646	9.47
3 - Year Fixed Rate Notes	54,467,643	4.24
5 - Year Fixed Rate Notes	136,476,608	10.64
6 – Year Fixed Rate Bonds	101,559,385	7.91
7-Year Fixed Rate Notes	27,522,703	2.14
10-Year Fixed Rate Notes	274,699,898	21.41
15-Year Treasury Note	85,035,249	6.63
	-----	-----
	801,248,132	62.44
	-----	-----
Corporate Bonds		
3 - Year Fixed Rate Notes	16,769,672	1.31
4 - Year Fixed Rate Notes	1,046,451	0.08
5 - Year Fixed Rate Notes	14,004,999	1.09
5 - Year Floating Rate Notes	11,846,203	0.92
6 - Year Fixed Rate Notes	3,357,957	0.26
7 – Year Fixed Rate Notes	5,377,927	0.42
	-----	-----
	52,403,208	4.08
	-----	-----
Certificates of Deposits		
30 - Day Fixed Deposits	29,213,532	2.28
5 - Year Fixed Deposits	22,767,509	1.77
	-----	-----
	51,981,041	4.05
	-----	-----
Receivables		
365 - Day Fixed Deposits	61,783,598	4.81
Others		
Other Collective Investment Schemes	868,448	0.06
Call Deposits	5,069,863	0.40
	-----	-----
	5,938,311	0.46
	-----	-----

STATEMENT OF FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS AS AT 31 DECEMBER 2019 - (cont'd)

FIXED INTEREST SECURITIES	Market Value GH¢	Percentage of Net Asset (%)
Funds on Call		
Funds on Call	9,298,702	0.72
	-----	-----
	9,298,702	0.72
	-----	-----
TOTAL FINANCIAL ASSETS	1,285,437,742	100.17
TOTAL FINANCIAL & OTHER LIABILITIES	(1,663,653)	(0.13)
IMPAIRMENT LOSS(PROVISION)	(524,032)	(0.04)
	-----	-----
TOTAL INVESTMENT IN FINANCIAL ASSETS	1,283,250,057	100
	=====	=====

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

FIXED INTEREST SECURITIES		2019 GH¢	2018 GH¢
Financial Assets	Note (s)		
Cash and cash equivalents	12	9,298,702	83,081,716
Non-pledged financial assets at fair value Through Profit or Loss	13	1,275,615,008	736,987,011
		-----	-----
Total Financial Assets		1,284,913,710	820,068,727
		=====	=====
Represented by:			
Members' Fund		1,283,250,057	812,943,766
		-----	-----
		1,283,250,057	812,943,766
		-----	-----
Financial & Other Liabilities			
Accounts payables	14	1,663,653	7,124,961
		-----	-----
		1,663,653	7,124,961
		-----	-----
Total Members' Fund & Financial Liabilities		1,284,913,710	820,068,727
		=====	=====



 TRUSTEE

15th June, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019 GH¢	2018 GH¢
Revenue	Note (s)		
Interest Income	9	175,789,198	121,476,162
		-----	-----
Total Revenue		175,789,198	121,476,162
		-----	-----
Expenses			
Investment Management Fees		22,173,176	13,122,468
Trustee Fees		3,602,771	2,624,494
General Administrative Expenses	15	66,654	27,134
Audit Fees		45,600	38,000
		-----	-----
Total Operating Expenses		25,888,201	15,812,096
		-----	-----
Operating Profit Before Tax		149,900,997	105,664,066
Impairment Provision		(524,032)	(589,698)
		-----	-----
Increase in Net Assets Available for Redemptions		149,376,965	105,074,368
		=====	=====

ACCUMULATED NET INVESTMENT INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 GH¢	2018 GH¢
Balance as at 1 January	208,777,270	103,702,952
Transfer from income and distribution statement	149,376,965	105,074,318
	-----	-----
Balance as at 31 December	358,154,235	208,777,270
	=====	=====

STATEMENT OF MOVEMENTS IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 GH¢	2018 GH¢
Change in Net Assets from Operations		
Change in:		
Net Investment Income	149,376,965	105,074,318
	-----	-----
Net Change in Net Assets from Operations	149,376,965	105,074,318
	-----	-----
Change in Net Assets from Capital Transactions		
Proceeds from Issue of Shares	834,076,936	589,891,138
Share Redemption	(513,147,610)	(392,564,458)
	-----	-----
Net Change in Net Assets from Capital Transactions	320,929,326	197,326,680
	-----	-----
Net Additions to Net Assets	470,306,291	302,400,998
	=====	=====
Analysis of Changes in Cash and Cash Equivalents for The Year		
At 1 January	812,943,766	510,542,768
Net Additions to Net Assets	470,306,291	302,400,998
	-----	-----
At 31 December	1,283,250,057	812,943,766
	=====	=====

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

2019	CAPITAL TRANSACTION GH¢	INVESTMENTS GH¢	TOTAL GH¢
Balance at 1 January	604,166,496	208,777,270	812,943,766
Net income from operations	-	149,376,965	149,376,965
Unit Issue	834,076,936	-	834,076,936
Units Redemption	(513,147,610)	-	(513,147,610)
	-----	-----	-----
At 31 December	925,095,822	358,154,235	1,283,250,057
	=====	=====	=====
2018	CAPITAL TRANSACTION GH¢	INVESTMENTS GH¢	TOTAL GH¢
Balance at 1 January	406,839,816	103,702,952	510,542,768
Net income from operations	-	105,074,318	105,074,318
Units Issue	589,891,138	-	589,891,138
Units Redemption	(392,564,458)	-	(392,564,458)
	-----	-----	-----
At 31 December	604,166,496	208,777,270	812,943,766
	=====	=====	=====

MOVEMENTS IN ISSUED SHARES FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 No. of Units	2018 No. of Units
Balance at 1 January	214,851,690	157,392,486
Issued during the year	200,070,468	165,919,712
Redemption during the year	(121,268,808)	(108,460,508)
	-----	-----
Balance at 31 December	293,653,350	214,851,690
	=====	=====

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 GH¢	2018 GH¢
<i>Cash Flows from Operating Activities:</i>		
Interest in Net Assets Attributable to Unit Holders	149,376,965	105,074,318
Adjusted for		
Interest Accrued	(38,717,554)	(34,461,560)
Interest Income	(137,071,644)	(87,014,602)
Change in Liabilities	(5,461,308)	2,654,917
	-----	-----
	(31,873,541)	(13,746,927)
	-----	-----
<i>Cash Flow from Investing Activities</i>		
Interest	137,071,644	87,014,602
Purchase of Financial Asset	(499,910,443)	(193,221,204)
	-----	-----
	(362,838,799)	(106,206,602)
	=====	=====
<i>Cash Flow from Financing Activities</i>		
Proceeds from Issuance of Units	834,076,936	589,891,139
Amount Paid On Redemption Of Units	(513,147,610)	(392,564,458)
	-----	-----
	320,929,326	197,326,681
	-----	-----
Net Increase (Decrease) In Cash and Cash Equivalent	(73,783,014)	77,373,152
Cash and Cash Equivalent At 1 January, 2019	83,081,716	5,708,564
	-----	-----
Cash and Cash Equivalent At 31 December	9,298,702	83,081,716
	=====	=====

We have many options to secure your future

Top ups through desired bank's internet banking platform, mobile money, cash and cheque deposits through the banks, scan to invest through our QR or Merchant ID and invest through the pay bill option on the Ecobank mobile app.



Kindly ensure to quote your unique EDC account number for every deposit. Deposits without a corresponding EDC account number cannot be invested.

EDC Ghana Fixed Income Unit Trust



13532220

EDC GHANA FIXED INCOME UNIT TRUST

Follow these steps to depositing via QR Code:

1. Select **'Pay Merchant'** on the Ecobank Mobile App dashboard
2. Select which merchant you wish to use (**Mastercard or Visa**)
3. Focus your camera on the QR code to scan
- 4.*Input the beneficiary account name and unique EDC account number (mandatory)
5. Input your amount and PIN and select **PAY**

Delivered by Ecobank Securities Wealth and Asset Management

The rendering of all Ecobank SWAM services is registered under EDC Investments Limited & EDC Stockbrokers Limited in Ghana, both members of the Ecobank Group.

Contact us:

2nd Floor, New Ecobank Head Office, 2 Morocco Lane,
Off the Independence Avenue
Telephone: 0302634165 | Email: edc-clientservice@ecobank.com

ecobank.com/swam



Ecobank
The Pan African Bank

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO FINANCIAL STATEMENTS

1. **Reporting Entity**

EDC Ghana Fixed Income Unit Trust is a Unit Trust investment vehicle whose primary objective is to obtain contributions unit holders and invest same for their benefit. EDC Ghana Fixed Income Unit Trust is a Unit Trust registered and operating in the Republic of Ghana. The address and registered office of the promoters can be found on page 1 of the financial statements.

The Unit Trust is an open-ended investment Unit Trust primarily involved in investing unit holders contribution in, investment-grade debt securities, with the objective of providing members with above-average returns over medium to long term.

The investment activities of the Unit Trust are managed by EDC Investments Limited, and the trustee services of the Unit Trust is delegated to Universal Merchant Bank (Ghana) Limited.

2. **Basis of Accounting**

a. *Basis of preparation*

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

b. *Functional and presentation Currency*

These financial statements are presented in Ghana cedi, which is the Unit Trust's functional currency. All amounts have been stated in full.

c. *Use of judgements and estimates*

In preparing these financial statements, the Unit Trust's management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

3. **Accounting Policies**

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

i. *Purchase of Share Units*

Applicants complete standard application forms which are sent to the office of the Manager. Telephone or electronic requests must be confirmed in writing. Application for units

is at the discretion of the Board of Directors of the Fund Manager. Cheques are cleared first before the processing of applications by the Manager. Payments for units shall be made in Ghana Cedis; however, applicants can settle their payments with easily convertible currencies but bear the foreign exchange transaction cost.

ii. *Investment income recognition*

a. *Interest income*

Interest income, including interest income from non-derivative financial assets at Fair value through profit or loss (FVTPL), are recognised in profit or loss, using effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market-based re-pricing date to the net carrying amount of the financial instrument on initial recognition.

Interest received or receivable and interest paid or payable are recognised in the profit or loss as interest income or interest expense, respectively.

iii. *Financial Instruments*

a. *Non-derivative financial instruments*

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

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

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

Non-derivative financial instruments are categorised as follows:

- Loans, advances and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those classified as held for trading and those that the Unit Trust on initial recognition designates at fair value through profit and loss; (b) those that the Unit

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

Trust upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

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

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

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

Held-to-maturity – Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Unit Trust to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale. Treasury bills with an original maturity of more than 182 days, treasury notes and other government bonds are classified as held-to-maturity.

Held-to-maturity assets are carried at amortised cost using effective interest rate method. Regular way purchases and

sales of financial assets held-to-maturity are recognised on trade-date, i.e. the date on which the Unit Trust commits to purchase or sell the asset.

(b) Derivative financial instruments

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

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

(c) Financial Liabilities

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

(d) Off setting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Unit Trust has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(e) Amortised cost measurement

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

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

(f) Hedge Accounting

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

Recognition of hedged transactions depends on the hedged categories.

Fair value hedges

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

The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters and dealer quotes for similar instruments. When fair values of unquoted instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

Cash flow hedges

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

or the liability. Otherwise the gains or losses previously recognised against equity are removed from equity and recognised in the income statement at the same time as the hedged transaction.

(g) Effective Interest Rate

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

(h) Determining fair value

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

(i) Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

- IV. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- V. The disappearance of an active market for that financial asset because of financial difficulties; or
- VI. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets including:

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

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

iv. Foreign Currency

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

v. Transfer values

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

vi. Cash and Cash Equivalents

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

vii. Fees and commission

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

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Trust has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period that begins on or after 1 January 2019.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2019, they did not have a material impact on the annual financial statements of the Trust.

i. IFRS 9 Financial Instruments and Associated Amendments to various Other Standards

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:

a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and

b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss. The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model.

With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three- stage approach whereby financial

assets move through the three stages as their credit quality changes.

The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before 1 February 2015, entities could elect to apply IFRS 9 early for any of the following:

- the own credit risk requirements for financial liabilities
- classification and measurement (C&M) requirements for financial assets
- C&M requirements for financial assets and financial liabilities, or
- C&M requirements for financial assets and liabilities and hedge accounting.
- After 1 February 2015, the new rules must be adopted in their entirety.

ii. Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard.

The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

iii. IFRS 15 Revenue from Contracts with Customers and Associated Amendments to various other Standards

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized:

- a. identify contracts with customers
- b. identify the separate performance obligation
- c. determine the transaction price of the contract
- d. allocate the transaction price to each of the separate performance obligations, and
- e. Recognized the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- revenue may be recognized earlier than under previous standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognized if they are not at significant risk of reversal.
- the point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term and vice versa.
- there are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- as with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

iv. Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The amendments made to IFRS 2 in June 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.

They also introduce an exception to the classification principles in IFRS 2 where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that

amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature.

Entities with the following arrangements are likely to be affected by these changes:

- equity-settled awards that include net settlement features relating to tax obligations
- cash-settled share-based payments that include performance conditions, and
- cash-settled arrangements that are modified to equity-settled share-based payments.

v. Annual improvements 2014-2016 cycle

The following improvements were finalized in December 2016:

- FRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

vi. Transfers of Investment Property – Amendments to IAS 40

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterized as a non-exhaustive list of examples to help illustrate the principle.

The Board provided two options for transition:

- Prospectively, with any impact from the reclassification recognized as adjustment to opening retained earnings as at the date of initial recognition, or
- Retrospectively - only permitted without the use of hindsight.
- Additional disclosures are required if an entity adopts the requirements prospectively.

vii. Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

- retrospectively for each period presented
- prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or
- prospectively from the beginning of a prior reporting period presented as comparative information.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Unit Trust's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16

Leases

IFRS 17

Insurance Contracts

Amendments to IFRS 9

Prepayment Features with Negative Compensation

Amendments to IAS 28

Long-term Interests in Associates and Joint Ventures

Annual Improvements to IFRS Standards 2015–2017 Cycle

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

Amendments to IAS 19

Employee Benefits

Plan Amendment, Curtailment or Settlement

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRIC 23

Uncertainty over Income Tax Treatment

a. IFRS 16 Leases

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Effective 2019, early adoption is permitted only if IFRS 15 is adopted at the same time

b. IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period.

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

c. Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty.
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.
- While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

d. Prepayment Features with Negative Compensation – Amendments to IFRS 9

The narrow-scope amendments made to AASB 9 Financial Instruments in December 2017 enable entities to measure certain pre-payable financial assets with negative compensation at amortised cost.

These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

e. Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128 Investments in Associates and Joint Ventures.

f. Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017:

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

f. Annual Improvements to IFRS Standards 2015-2017 Cycle

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

g. Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements.

They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
- separately recognise any changes in the asset ceiling through other comprehensive income.

6. Related parties and key contractors

a. Transaction with Trustee

The Trustee of the Unit Trust is Universal Merchant Bank Limited, a Bank incorporated in Ghana and duly licensed by the Security and Exchange Commission of Ghana as a unit trust fund trustee. Under the investment management agreement, the Trustee receive a Trusteeship fee at an annual rate of 0.40% of the net asset value attributable to members of the Unit Trust. The total Trustee fees charged during the year amounted to GH¢ 3,602,771. Included in the payables were Trustee fee of GH¢ 538,234.

b. Fund Managers

EDC Investments Limited, an investment management company incorporated in Ghana and duly licensed by the Security and Exchange Commission of Ghana is the fund manager of the Unit Trust. It has the responsibility of implementing the investment strategy and objectives as stated in the Unit Trusts' investment management policy manual. Under the unit trust management agreement, the fund managers receive a management fee at an annual rate of 2% of the net asset value attributable to members of the Unit Trust. The management fees incurred during the year amounted to GH¢ 22,173,176. Included in the payables as at 31 December 2019 were fund management fees payable of GH¢ 1,050,526.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

7. CONTRIBUTION

	2019 GH¢	2018 GH¢
Balance as at 1 January	604,166,496	406,839,816
Contribution during the year	834,076,936	589,891,138
	-----	-----
Redemptions	1,438,243,432 (513,147,610)	996,730,954 (392,564,458)
	-----	-----
	925,095,822	604,166,496
	=====	=====

8. REDEMPTIONS

	2019 GH¢	2018 GH¢
Redemption Paid	513,147,610	392,564,458
	-----	-----
	513,147,610	392,564,458
	=====	=====

9. INTEREST INCOME

	2019 GH¢	2018 GH¢
Cash and Cash Equivalent	265,445	358,268
Debt Securities	9,922,798	14,692,926
Held to Maturity	167,169,778	106,424,968
Charges on Transfer to Customers	(1,305,875)	-
Charges on Investments	(262,948)	-
	-----	-----
	175,789,198	121,476,162
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

10. FINANCIAL INSTRUMENTS

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

2019	Balance 1/1/2019 GH¢	Purchase/ (Sales) GH¢	Accrued interest GH¢	Change in fair value GH¢	Value at 31/12/2019 GH¢
Ghana Government Securities	338,008,905	449,485,792	28,936,147	-	816,430,844
Statutory Agency Bonds	188,054,023	93,267,549	6,280,466	-	287,602,038
Treasury Bills	319,379	(319,379)	-	-	-
Fixed and Time Deposits	152,060,995	(34,658,957)	1,432,464	-	118,834,502
Corporate Bond	357,790,437	(8,283,073)	2,371,812	-	51,879,176
CIS	753,272	29,248	-	85,928	868,448
	736,987,011	499,521,180	39,020,889	85,928	1,275,615,008
2018	Balance 1/1/2018 GH¢	Purchase/ (Sales) GH¢	Accrued interest GH¢	Change in fair value GH¢	Value at 31/12/2018 GH¢
Ghana Government Securities	127,974,104	196,736,359	13,298,442	-	338,008,905
Statutory Agency Bonds	15,545,659	167,408,338	5,100,026	-	188,054,023
Treasury Bills	208,496	106,504	4,379	-	319,379
Fixed and Time Deposits	310,401,657	(172,867,111)	14,526,449	-	152,060,995
Corporate Bond	37,458,495	19,153,519	2,357,869	(1,179,446)	57,790,437
CIS	13,338,083	(12,589,594)	-	4,783	753,272
	504,926,494	197,948,015	35,287,165	(1,174,663)	736,987,011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

11. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 December 2019	Note	Held for Trading	Designated as at Fair Value	Loan and Receivables	Other Liability	Total
		GH¢	GH¢	GH¢	GH¢	GH¢
Cash and cash equivalents	12	-	-	9,298,702	-	9,298,702
Non-pledged financial assets at fair value through profit or loss	13	-	1,275,615,008	-	-	1,275,615,008
		----	-----	-----	-----	-----
		-	1,275,615,008	9,298,702	-	1,284,913,710
		==	=====	=====	=====	=====
Payables under service level agreements	14	-	-	-	1,642,625	1,642,625
Other payables (Due to EDC)		-	-	-	21,028	21,028
		---	---	-----	-----	-----
		-	-	-	1,663,653	1,663,653
		==	==	=====	=====	=====
31 December 2018	Note	Held for Trading	Designated as at Fair Value	Loan and Receivables	Other Liability	Total
		GH¢	GH¢	GH¢	GH¢	GH¢
Cash and cash equivalents	12	-	-	83,081,716	-	83,081,716
Non-pledged financial assets at fair value through profit or loss	13	-	736,987,011	-	-	736,987,011
	-	---	-----	-----	-----	-----
		-	736,987,011	83,081,716	-	820,068,727
		==	=====	=====	=====	=====
Payables under service level agreements	14	-	-	-	7,111,161	7,111,161
Other payables (Due to EDC)		-	-	-	13,860	13,860
		---	---	-----	-----	-----
		-	-	-	7,125,021	7,125,021
		==	==	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

12. CASH AND CASH EQUIVALENTS

	2019 GH¢	2018 GH¢
Cash and Bank Balances	9,298,702	83,081,716
	-----	-----
	9,298,702	83,081,716
	=====	=====

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

	2019 GH¢	2018 GH¢
Debt Securities	1,141,289,378	112,731,912
Held to Maturity Securities	73,066,064	585,032,811
Investment Receivables	61,783,598	39,812,036
Impairment Provision	(524,032)	(589,748)
	-----	-----
	1,275,615,008	736,987,011
	=====	=====

14. PAYABLE UNDER SERVICE LEVEL AGREEMENTS

	2019 GH¢	2018 GH¢
Investment Management Fees	1,050,526	6,240,607
Trustee Fees	538,234	825,844
Audit Fees	45,600	38,000
VAT On Audit Fees	8,265	6,650
Due to EDC Investment Ltd	11,028	13,8600
Other Payables	10,000	-
	-----	-----
	1,663,653	7,124,961
	=====	=====

15. GENERAL ADMINISTRATIVE EXPENSES

	2019 GH¢	2018 GH¢
AGM Expenses	6,804	10,157
Legal Assistance Cost	10,000	6,000
Marketing Expenses	24,888	1,918
Office Stationery	16,697	2,409
Office Expenses	8,265	6,650
VAT On Audit Fees	-----	-----
	66,654	27,134
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - (cont'd)

16. TAXATION

Income of approved unit trust scheme or mutual fund is exempt from tax under the income tax act, 2015 (Act 896) as amended by Act 2017 (Act 941).

The Fund currently pays withholding taxes on payment made to Directors and other service providers.

17. TRANSACTIONS THROUGH STOCK BROKERS

The Unit Trust's transactions were done through EDC Stockbrokers Limited.

18. EVENT AFTER REPORTING PERIOD

It is envisioned that COVID 19 pandemic will most likely have an impact on the economy, and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. The Unit Trust is, however not able to produce a reliable estimate of this impact at this point.

The Directors are not aware of any other material events that have occurred between the date of the financial statement and the date of this report.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Directors of the Fund Manager EDC Ghana Investment Ltd and authorized for issue on 15th June, 2020

PROXY FORM

EDC Ghana Fixed Income Unit Trust
Ecobank Head Office Building, 2nd Floor
2, Morocco Lane, Off the Independence Avenue
P.O. Box AN 16746
Accra- Ghana
Tel: (233) 0302634165 / 0302634150
Email: edc-clientservice@ecobank.com

I/We of
being a member(s) of **EDC Ghana Fixed Income Trust** (the “Unit Trust”) hereby appoint.....of..... as my/our proxy to attend on my/our behalf, the **7th Annual General Meeting** of the Trust, to be held at **https://www.edcghanaagm.com** on **Wednesday September 16th, 2020 at 12:30 p.m.** for the following purposes and to vote on my/our behalf on matters as directed below:

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

RESOLUTIONS	FOR	AGAINST
1. To receive and consider the report of the directors of the Fund Manager for the year ended December 31, 2019.		
2. To receive and consider the Audited Financial Statements together with the reports of the Trustees and Auditors for the year ended December 31, 2019.		
3. To authorize the Directors of EDC Investments Limited (EIL) determine the fees of the Auditors for the year 2020.		

Unit Holder’s Signature:Date2020

Notes

1. A proxy need not be a Unit Holder of the Unit Trust.
2. Unless otherwise instructed, the proxy will vote as he sees fit.
3. To be valid, this form must be filled, signed and sent via email to **trust@umbcapital.com** not less than forty-eight (48) hours before the commencement of the meeting.
4. In the case of joint holders, the signature of only one of the joint holders is required.
5. In the case of a body corporate, the form must be under seal or under the hand of a duly authorized officer.
6. The completion of and return of a proxy form does not prevent a Unit Holder from attending the meeting and voting thereat.

EDC Investments Limited

Resolve your concerns quickly and effectively

Kindly reach out to us using the below channels for timely and appropriate responses to your concerns.

1. For enquiries and feedback kindly email edc-clientservice@ecobank.com
2. If you are not satisfied and wish to escalate your complaint kindly send email to complaints-edcgh@ecobank.com

To speak to a helpdesk representative, please call +233 302 634154

Visit: ecobank.com/swam



Delivered by Ecobank Securities Wealth and Asset Management

The rendering of all Ecobank SWAM services is registered under EDC Investments Limited & EDC Stockbrokers Limited in Ghana, both members of the Ecobank Group

ecobank.com



Ecobank
The Pan African Bank