



**CM FUND LIMITED**

# ANNUAL REPORT **2018**



**BLA & ASSOCIATES**  
CHARTERED ACCOUNTANTS

# CM FUND LIMITED

## ANNUAL REPORT 2018

CM FUND LIMITED  
NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of CM Fund Limited will be held at Teachers' Hall on Wednesday, 31<sup>st</sup> July, 2019 at 10 a.m.

AGENDA

1. To receive the Report of Directors together with the Statements of Financial Position, Comprehensive Income, Changes in Equity and Cash Flows for the year ended 31 December, 2018
2. To report on the Performance of the Fund
3. Any other business appropriate to be dealt with at an Annual General Meeting

BY ORDER OF THE BOARD

(Sgd)

BOARD SECRETARY

Note: A shareholder is entitled to attend and vote at the meeting or appoint a proxy to attend and vote instead of himself or herself. A proxy need not also be a shareholder of the Fund. Copies of the proxy forms are annexed to the audited accounts and reports.

Completed proxy forms should be lodged with the Board Secretary, SDC Capital Limited, Box GP 14198 Accra not later than two days before the meeting.

A shareholder who has not received the audited accounts and reports may contact the Fund Manager, SDC Capital Limited, High Street, Accra.

## CM FUND LIMITED

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**CM FUND LIMITED  
CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Emile Yartey  
Mathias Dorfe  
Dr. Reginald Hansen - Thompson (Nii Hansen V)  
Seth Kwasi Asante

**REGISTERED OFFICE**

H/No D921/3 Adjacent AMA  
Asafoatse Nettey Street Accra  
P. O. BOX GP 14198  
Accra, Ghana.

**CUSTODIAN**

Guaranty Trust Bank (Ghana) Limited  
25A, Castle Road, Ambassadorial Area, Ridge  
P.M.B CT 416, Cantonments, Accra, Ghana

**AUDITORS**

BLA & Associates  
Chartered Accountants  
P. O. BOX AB 295  
Abeka Accra

**INVESTMENT MANAGER**

SDC Capital Limited  
H/se D/921/3 Adjacent (AMA)  
Asafoatse Nettey Street, Accra  
P. O. BOX GP 14198  
Accra, Ghana

**BANKERS**

Guaranty Trust Bank Limited  
GCB Bank  
Standard Chartered Bank Limited

## PROFILE OF DIRECTORS



Mr. Emile Yartey brings to the CM Fund a wealth of experience in Banking as the Board Chairman. He holds a Bachelor of Arts, General from the University of Ghana (Legon) and a Master of Business Administration in Finance from the Illinois State University.

He worked with Wells Fargo Bank USA and rose through the ranks to the position of Vice President in charge of Business Banking in 1996. He afterwards joined GCB Bank till 2007 when he left as General Manager, Treasury.

He has held several positions on numerous boards. He was the Board Chairman for CDH Ghana while working with the GCB Bank and a member of the Board of the Accra Markets Limited.



Dr. Reginald Hansen Kpakpo Hansen - Thompson (Nii Hansen V) is a Management Specialist as well as an Auditing professional. He is the Chief Executive Officer of James Quagraine Associates, a leading accounting firm in Ghana and the Executive Chairman of the Royal Ghanaian Airlines(RGA).

He served in various Executive membership positions with the ECOWAS Business Council, the West African Enterprise Network, the African Enterprise Network, Southern Enterprise Network and the Maghreb Region. Additionally, he has consulted for the Organization for Economic Development.

He was an Executive Member of the Ga State Paramount Stool Gyaase.

Nii Hansen V is currently a Member / Treasurer of the James Town Traditional and Elders Council and Warrior King of the Ga State as well as the Head of the Royal Hansen family of Jamestown (British Accra). He doubles as the overlord of Afienaa and Katapor in the Amasan District.

He is a Fellow of the Chartered Institute of Management Specialists (California, Trinidad and Tobago) and the Institute of Business Analysts and Consultants(FIBAC). He holds an Honorary Doctorate Degree from the Technological University of the Americas.

He was the First Vice President of the Ghana Boxing Association but resigned to become its Patron.



Mathias has extensive experience in the financial services industry having worked as Country Manager, Grofin Ghana Limited; a pioneer to the establishment of the Asset Management Unit within the Corporate Banking Department of Barclays Bank Ghana and the Managing Director of Leasafric. He is currently the Chief Executive Officer of SDC Finance Limited.

Mr. Dorfe has over the years developed core competencies in General Management, Financial Analysis and Business Development which he brings to bear on the work of the team.

Mr. Dorfe brings to the team a results driven attitude which is key in ensuring that the client derives the maximum professional services from the Fund Manager (SDCC). He is a product of University of Ghana, Legon with B.Sc. Administration (Accounting Option).



Seth Asante is a Partner and Head of the Financial Institutions & Capital Markets (“FICM”) Practice Group of the firm. His practice focuses on banking, corporate finance, capital markets, mergers & acquisitions, and private equity.

Seth graduated from the University of Ghana, Legon with a Bachelor of Law (LLB) degree, in 1997 and then the Ghana School of Law in 1999. He obtained a Master of Science in Law and Accounting at the London School of Economics in 2001. Seth joined Bentsi-Enchill, Letsa & Ankomah in 1999 as a trainee.

Seth has worked on several major transactions in Ghana and the West African sub-region. He has also been a lecturer in Company Law and Practice at the Ghana School of Law from 2003 to date. He is a member of the Ghana Bar Association.

Seth’s interests include Music, Photography and Sports. He is an ardent supporter of Arsenal Football Club and B.A. United Football Club.

## CHAIRMAN'S STATEMENT TO SHAREHOLDERS

On behalf of the Board of Directors, I welcome you all to the 8<sup>th</sup> Annual General Meeting of CM Fund Ltd and thank you for your commitment to CM Fund as an avenue for your investment. The main business of the day is to present to you the annual reports and the financial statement for the year ended December 31, 2018.

### GLOBAL ECONOMIC REVIEW

The global economy started 2018 on an upbeat note, buoyed by a pickup in global manufacturing and trade through 2017. The upswing however lost steam in the course of the year in tandem with a drop in investors' confidence in the global economic outlook.

One reason behind this loss in momentum is the implementation of tariffs by major economies—especially the United States—and retaliatory measures taken by others, including China. The increasingly protectionist rhetoric on trade has meant higher uncertainty about trade policy, which weighs on future investment decisions.

Despite these actions, the US economy expanded at a fast pace in 2018, as tax cuts and spending increases stimulated demand. The US Federal Reserve has continued to raise the policy interest rate as a result. Interest rates on US long-term bonds have increased, as investors see risks to future growth and value the safety of US Treasury securities.

As growth and interest rates in the United States have outpaced those in other major economies, the US dollar has appreciated against most other currencies in 2018 leading to some vulnerable emerging market economies coming under strain as the US dollar gained value and the level of risk that global financial investors were prepared to accept dropped. Most of these countries have seen increases in their external borrowing costs, but the extent of these increases varied widely.

### THE GHANAIAN ECONOMY

In 2018, Ghana's economy continued to expand rapidly, although at a slower pace than the rate in 2017. Quarterly gross domestic product (GDP) growth was estimated at 5.4% in the first quarter of 2018; and 5.4% in the second quarter. The full-year real GDP growth projection was revised from 6.8% to 5.6% due to the larger base for 2017 because of the rebasing exercise conducted in October 2018.

The government continued with the fiscal consolidation efforts in 2018 despite difficulties on the revenue side. Ghana's fiscal deficit for the period January-September 2018 was 3% of GDP, just above the target of 2.6%. The primary balance at the end of September 2018 was a surplus of 0.5% of GDP compared to the target of a surplus of 0.9%.

The inflation rate stabilized to levels within the central bank's target range of 6-10%. The inflation rate for the end of year closed at 9.40%; being the lowest inflation rate since December 2012, as prices slowed for both food (8.0% vs 8.6% in December) and non-food products (9.5% vs 9.8%).

Ghana's growth target for 2019 is 7.4% mainly to be driven by the industry sector, especially oil, gas and mining. Manufacturing is also expected to post higher growth. In the medium-term (2019-2022), overall GDP is projected to grow on average at 7.0%, as the effects of oil on growth declines and non-oil growth strengthens. Inflation is



expected to remain in the central bank's target range of 6-10% in 2019, while the fiscal deficit is expected to be marginally higher at 4.2% of GDP.

The Ghana cedi depreciated by 8.80% and 1.36% against the US Dollar and Euro respectively. It however appreciated by 1.61% against the British Pound.

#### **MARKET REVIEW**

The Ghana Stock Exchange Composite Index (GSE-CI) at the end of 2018 posted a negative return of 0.29% compared with the 2017 return of 52.73%. The market Capitalization at the end of 2018 was GH¢ 61,136.53m compared with the previous year's position of GH¢58,803.96m representing a growth of 3.97 percent. The CM Fund posted a year-to-date return of 20.89 percent for the year under review.

It is our hope that you maintain the long term perspective to the CM Fund and be assured that we commit to identifying and seizing the best opportunities to further the growth of the Fund.

We appreciate the confidence reposed in us and look forward to a prosperous 2019.

**REPORT OF THE DIRECTORS  
TO UNITHOLDERS OF  
CM FUND LIMITED**

**Report of the Directors**

The Directors present herewith their report together with the audited financial statements of the Fund for the year ended 31<sup>st</sup> December, 2018.

**Statement of Directors Responsibilities**

The Directors are responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the Fund in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 1963 (Act 179) and the Securities and Exchange Regulations 2003, (LI 1728) and the Unit Trust and Mutual Funds Regulations 2001, (LI 1695). In preparing these financial statements, the Directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act, 1963 (Act 179).

The Directors are also responsible for ensuring that the Fund keeps proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Nature of business**

The principal activity of the Fund is to invest the monies of its members for their mutual benefit and to hold and arrange for the management of CM Fund investment securities acquired with such monies.

The Fund is licensed by the Securities and Exchange Commission to operate as an authorized Mutual Fund.

**Report on the Financial Statements**

**Financial Results**

The results for the year are shown in the Statement of Comprehensive Income in the financial statements. The Fund recorded a total comprehensive income of **GHC613,015** in 2018 as against **GHC468,828** in 2017. The Increase in net income is attributed to higher volume of money market investments and dividend income during the year.

**REPORT OF THE DIRECTORS  
TO UNITHOLDERS OF  
CM FUND LIMITED (CONT'D)**

**Distribution policy**

The Fund does not distribute income. All income earned is reinvested. Unitholders should be aware that, the prime objective of the Fund is to achieve capital growth and as such income is reinvested to take advantage of the effects of compounding.

**Auditors**

The Auditors; Bla & Associates, will continue in office in accordance with Section 134 (5) of the Ghana Companies Act (Act 179).

**Approval of Financial Statements**

The financial statements of the Fund were approved by the Board of Directors on 6<sup>th</sup> May, 2019 and were signed on their behalf by:



.....  
Director



.....  
Director

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF CM FUND LIMITED**



**BLA & ASSOCIATES**

**Chartered Accountants & Business Advisors**

Office: GPS: GA-260-0309

# 219/10, Boi Street, Kaneshie

Postal: P. O. Box ABK-295, Accra, Ghana

Phone: 233 (0)24 464 3895; 233 (0)20 877 6929

Email: [blaassociates.ghana@gmail.com](mailto:blaassociates.ghana@gmail.com)

**Opinion**

We have audited the financial statements of CM Fund Limited, which comprise the statement of financial position as at December 31, 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CM Fund Limited as of December 31, 2018 and of its financial performance and its cash flows for the year then ended and are in accordance with International Financial Reporting Standards and comply with the Companies Act, 1963 (Act 179) 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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, The Board of Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless the Board of Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Compliance with the requirement of section 133 of the Companies the Companies Act, 1963, (Act 179) and the Securities and Exchange Regulations 2003, (LI 1728) and the Unit Trust and Mutual Funds Regulations 2001, (LI 1695),

We confirm that:

- I. 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.
- II. In our opinion proper books of accounts have been kept by the Fund, so far as appears from our examination of those books, and
- III. The statement of financial position and the statement of comprehensive income of the Fund are in agreement with the books of accounts.

The engagement partner on the audit resulting in the independent auditor's report is **Bossman Nii Laryea Laryea (ICAG/P/1025)**

*BLA & Associates*

.....  
**For and on behalf of**  
**BLA & ASSOCIATES (ICAG/F/2019/085)**

## PORTFOLIO MANAGER'S REPORT

We are very pleased to be able to present this report to you. Accept our gratitude, for your continuous custom and be rest assured that we shall continue to deliver on our service promise of securing and adding value to your investments.

### Economic Review

The World bank projects the Ghanaian economy to grow by 7.4% mainly to be driven by the industry sector, especially oil, gas and mining. Industry's growth is expected to improve to 9.7%; the agriculture sector is expected to grow by 7.3% on the back of the government flagship programs, like the Planting for Food and Jobs Program, which will enhance performance in the crops sub-sector. The service sector growth, however, is projected at 6.1%, slightly below the 2018 projection of 6.2% as the financial sector continues to recover from its recent challenges.



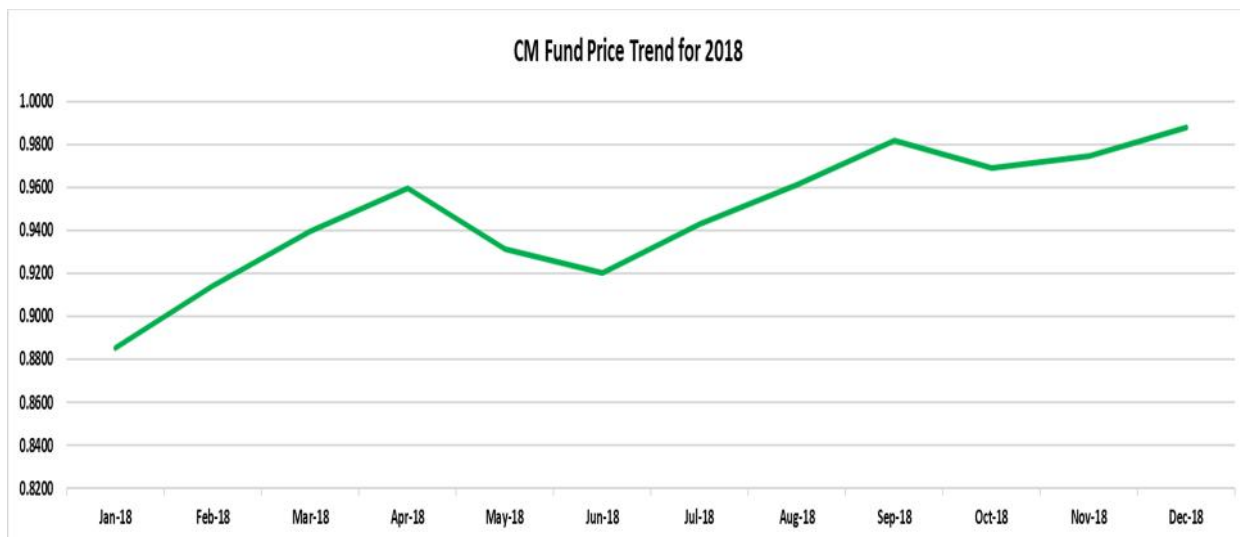
The Ghana Stock Exchange recorded a negative return of 0.29 percent during the period under review. The performance of the equity market was largely driven by low investor confidence in the bourse as a result of the unstable financial service industry, for example the closure of the seven banks. Lucrative yields on government securities also made investors to shift focus onto the fixed income market.

### Portfolio Performance

The CM Fund returned 20.89% during the period under review. This performance was driven particularly by returns from fixed income instruments. The Portfolio Manager proactively diversified the Fund's portfolio on the back of the stock market's bearish performance from the second quarter of the year by seeking out other high yielding fixed income investments to drive returns.

At the end of the 2018, the Fund had increased in price to GHS 0.9880 from GHS 0.8177 on January 01, 2018 as shown in the graph below;

**Figure 1: Price movement during the year**



## Portfolio Composition

Asset Class	Constituents	Money Market	Capital Market	Total
Equities	Manufacturing	N / A	0.00%	9.53%
	Financial	N / A	2.08%	
	Energy	N / A	2.51%	
	Consumer	N / A	3.85%	
	Agriculture	N / A	0.24%	
	Telecoms	N / A	0.85%	
Fixed Income	Banks	7.39%	N / A	90.47%
	Finance Houses	39.22%	N / A	
	CPs	42.88%	N / A	
Cash & Cash Equivalents	Cash	0.92%	N / A	100.00%
	Receivables	0.06%	N / A	
<b>Total</b>				<b>100.00%</b>

Table 1. Portfolio Composition

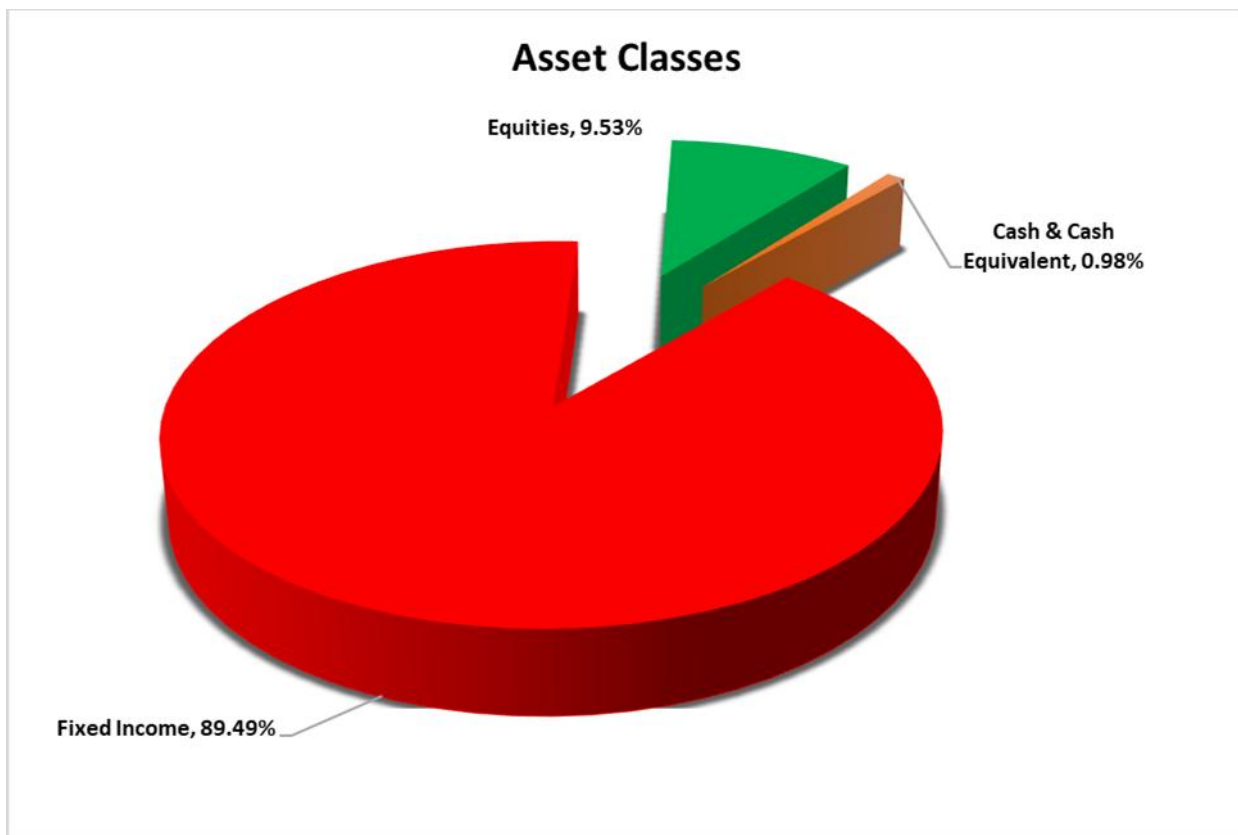


Fig. 2. Asset Classes



## Portfolio Summary

<i>Parameter</i>	<i>31<sup>st</sup> Dec., '17</i>	<i>31<sup>st</sup> Dec., '18</i>	<i>(%) Change</i>
<i>Price</i>	0.8173	0.9880	20.88%
<i>AUM (GHS)</i>	4,291,360.09	7,396,235.61	72.35%
<i>Shareholders</i>	2,162	2,518	16.47%
<i>Units Outstanding</i>	5,226,162.06	7,436,945.26	42.30%

*Table 2: Summary of the CM Fund Performance*

## Outlook & Strategy

We expect the bearish performance of the Ghana Stock Exchange (GSE) to continue as a result of the high yields on government securities which makes them a better alternative for investors seeking firm security and attractive returns for their investment in face of the uncertainty and upheaval in the financial services industry.

The Portfolio Manager's strategy is to stay fixed income bias for the rest of the year as a way of preserving value for investors, taking into account the performance of the GSE.

To increase the Assets Under Management (AUM), the Fund Manager is looking to expand its collections vehicles. The roll out of the USSD Mobile money payment channel is expected to increase collections into the Fund. We also intend growing our sales team to increase the reach of the Fund.

We intend increasing our media presence through print and electronic media campaigns while deepening our relationships with clients.

In line with our demonstrated commitment to providing value for shareholders, we will continue to seek competitive opportunities on the fixed income market. We anticipate CM Fund will deliver another impressive return for 2019 in view of this positive outlook.

*Clarkson Duku Acheampong - (CA. Gh; MBA Finance)  
Portfolio Manager*

**CM FUND LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	NOTES	2018 GH¢	2017 GH¢
<b>ASSETS</b>			
Bank and Cash Balance	5	70,491	143,174
Receivables	6	1,803	391
Listed Equity Securities	8	705,084	1,060,200
Held-To-Maturity Securities	7	6,618,858	3,087,746
<b>TOTAL ASSETS</b>		<b>7,396,236</b> =====	<b>4,291,511</b> =====
<b>EQUITY</b>			
Unitholders' Fund	17	4,999,481	2,536,122
Retained Earnings	17	2,332,638	1,684,056
Fair Value Reserve	17	15,560	51,127
<b>TOTAL EQUITY</b>		<b>7,347,679</b> =====	<b>4,271,305</b> =====
<b>LIABILITY</b>			
Payables	19	48,557	20,206
<b>TOTAL LIABILITY</b>		<b>48,557</b> -----	<b>20,206</b> -----
<b>TOTAL EQUITY AND LIABILITY</b>		<b>7,396,236</b> =====	<b>4,291,511</b> =====



.....  
DIRECTOR



.....  
DIRECTOR

*The notes on pages 21 to 32 are an integral part of these financial statements.*

**CM FUND LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	NOTES	2018 GH¢	2017 GH¢
Interest Revenue	9	1,404,892	701,846
Dividend Income	10	21,066	18,544
Other Income	11	150	981
<b>TOTAL OPERATING INCOME</b>		----- 1,426,108 -----	----- 721,371 -----
Administrative Expenses	12	(211,249)	(120,377)
Selling and Promotion Expenses	13	(5,178)	(2,348)
Finance Cost	14	1,867)	(2,628)
Other Expenses	15	(425,241)	(280,863)
<b>TOTAL OPERATING EXPENSE</b>		----- (648,535) -----	----- (406,216) -----
Net Investment Income		782,573	315,155
Loss from Disposal of equities	16	(133,991)	-
<b>PROFIT FOR THE YEAR</b>		----- 648,582 -----	----- 315,155 -----
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that are or may be reclassified subsequently to Profit or loss</i>			
Fair Value Gains on FVOCI	20	(35,567)	153,673
<b>TOTAL COMPREHENSIVE INCOME</b>		----- 613,015 =====	----- 468,828 =====

*The notes on pages 21 to 32 are an integral part of these financial statements*

**CM FUND LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Unitholders' Fund GH¢	Fair Value Reserve GH¢	Retained Earnings GH¢	Total GH¢
Balance as				
As at 1 January 2018	2,536,122	51,127	1,684,056	4,271,305
Profit for the year	-	-	648,582	648,582
Proceeds from Units Issued	3,676,263	-	-	3,676,263
Fair Values Loss	-	(35,567)	-	(35,567)
Value of Units Redeemed	(1,212,904)	-	-	(1,212,904)
Balance as at	.....	.....	.....	.....
31 December 2018	<b>4,999,481</b>	<b>15,560</b>	<b>2,332,638</b>	<b>7,347,679</b>
	=====	=====	=====	=====
Balance as				
As at 1 January 2017	1,636,185	(102,546)	1,368,901	2,902,540
Profit for the year	-	-	315,155	315,155
Proceeds from Units Issued	1,630,988	-	-	1,630,988
Fair Values Gains	-	153,673	-	153,673
Value of Units Redeemed	(731,051)	-	-	(731,051)
Balance as at	.....	.....	.....	.....
31 December 2017	<b>2,536,122</b>	<b>51,127</b>	<b>1,684,056</b>	<b>4,271,305</b>
	=====	=====	=====	=====

*The notes on pages 21 to 32 are an integral part of these financial statements*

**CM FUND LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	NOTES	2018 GH¢	2017 GH¢
<b>Cash Flow from Operating Activities</b>			
Profit for the period		648,582	315,154
<b>Changes in Working Capital:</b>			
Receivables	6	(1,412)	(391)
Payables	19	28,351	3,756
		-----	-----
--			
<b>Net Cash Flow from Operating Activities</b>		<b>675,521</b>	<b>318,519</b>
		-----	-----
--			
<b>Cash Flow from Investment Activities</b>			
Changes in Listed Securities	8	355,116	(925,665)
Changes in Held-To-Maturity Investment	7	(3,531,112)	(341,068)
		-----	-----
<b>Net Cash Flow from Investing Activities</b>		<b>(3,175,996)</b>	<b>(1,266,733)</b>
		-----	-----
<b>Cash Flow from Financing Activities</b>			
Proceeds from Unit Issue		3,676,263	1,630,988
Value of Units Redeemed		(1,212,904)	(731,051)
Fair Value Loss	19	(35,567)	153,673
		-----	-----
<b>Net Cash Flow from Financing Activities</b>		<b>2,427,792</b>	<b>1,053,610</b>
		-----	-----
<b>Net Increase/ (Decrease) in Cash and Cash Equivalent</b>		<b>(72,683)</b>	<b>105,396</b>
Cash and Cash Equivalent at 1 January		143,174	37,778
		-----	-----
-			
Cash and Cash Equivalent at 31 December	5	<b>70,491</b>	<b>143,174</b>
		=====	=====

*The notes on pages 21 to 32 are an integral part of these financial statements*

**CM FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. REPORTING ENTITY**

CM Fund Limited is a limited liability company incorporated and domiciled in Ghana. The address of its registered office is, 1<sup>st</sup> Floor, House No. D 921/3, Post Office Square, off High Street, P.O. Box GP 14198 Accra.

**2. DESCRIPTION OF THE FUND**

It is an open-ended balanced mutual fund established in 2007 with an unlimited duration. The authorized business of the Fund is to achieve a long-term capital growth by investing in a diversified portfolio of equity securities listed on the Ghana Stock Exchange and other money market securities of acceptable credit quality.

**3. BASIS OF MEASUREMENT**

The financial statements have been prepared on a historical cost basis, except for the following material item:

<b>Items</b>	<b>Measurement Basis</b>
Financial assets at FVOCI (applicable from 1 January 2018) - Listed Equity Securities	Fair Value

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1. Statement of Compliance**

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

**4.2. Basis of Accounting**

The financial statements have been prepared on a historical cost basis except for available-for-sale financial assets and other financial instruments that are measured at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Ghana Cedi (GH¢). The Fund presents its statement of financial position in order of liquidity.

**CM FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**4.3. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**4.3.1 Interest Revenue**

Interest revenue is recognized in the Statement of Comprehensive Income for all interest bearing financial instruments using the accrual method. The Fund recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met.

**4.3.2 Dividend Income**

Dividend income is recognized through the Statement of Comprehensive Income if the qualifying date falls within the year under review.

**4.4 Valuation of Investments**

Securities listed on a stock exchange or traded on any other organized market are valued at the last available market price on the relevant valuation day.

Securities that are actively traded on the over-the - counter market are valued at the mean between the most recently quoted bid and offer prices provided by the principal brokers. Securities and assets for which market quotations are not readily available are valued at fair values as determined in good faith by or under the direction of the Board of Directors. Short-term debt securities having a maturity of ninety-one days or less are valued at amortized cost.

**4.5. Foreign Currencies Transactions**

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign currency differences arising on translation are recognised in profit or loss.

**CM FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**4.6 Distribution Policy**

The Fund does not distribute income. All income earned is reinvested. Unitholders should be aware that the prime objective of the Fund is to achieve capital growth and as such income is reinvested to take advantage of the effects of compounding.

**4.7 Cash and Cash Equivalents**

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments

**5. BANK AND CASH BALANCE**

	<b>2018</b>	<b>2017</b>
	<b>GH¢</b>	<b>GH¢</b>
Standard Chartered Bank - Collection Account	38,390	127,155
GCB Bank - Collection Account	26,546	8,480
GT Bank - Custody Account	5,555	7,539
	-----	-----
	<b>70,491</b>	<b>143,174</b>
	=====	=====

**6. RECEIVABLE**

The receivable comprise of dividend income due to the Fund for the period under review. As at the year ended 31<sup>st</sup> December, 2018, the Fund had GOIL Ghana dividend to be received as detailed below:

	<b>2018</b>	<b>2017</b>
	<b>GH¢</b>	<b>GH¢</b>
Dividend	1,803	391
	=====	=====

**7. HELD-TO-MATURITY SECURITIES**

	<b>2018</b>	<b>2017</b>
	<b>GH¢</b>	<b>GH¢</b>
182 Day Fixed Income	1,835,072	-
273 -365 Day Fixed Income	4,783,786	3,087,746
	-----	-----
	<b>6,618,858</b>	<b>3,087,746</b>
	=====	=====



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

**8. LISTED EQUITY SECURITIES - 2018**

	<u>No. of Shares</u>	<u>Price</u>	<u>Market Value (GH¢)</u>
CAL	5,771	0.98	5,656
TOTAL	42,500	3.40	144,500
FML	21	8.00	168
GCB	30,000	4.60	138,000
EGH	300	7.50	2,250
SCB	8	21.00	168
UNIL	16,012	17.78	284,693
GOIL	13,200	3.12	41,184
SOGE GH	9,933	0.75	7,450
BOPP	3,500	5.09	17,815
MTN	80,000	0.79	63,200
			-----
			<b>705,084</b>
			=====

**LISTED EQUITY SECURITIES - 2017**

CAL	25,000	1.08	27,000
TOTAL	50,000	3.53	176,500
FML	5,000	17.70	88,500
GCB	20,000	5.05	101,000
EGH	9,400	7.60	71,440
SCB	10,000	25.25	252,500
UNIL	10,500	12.84	134,820
GOIL	26,000	2.69	69,940
SOGE GH	20,000	0.82	16,400
EGL	33,000	3.70	122,100
			-----
			<b>1,060,200</b>
			=====

Listed Equity Securities represents stocks that are quoted on the Ghana Stock Exchange. These have been classified as financial instrument at fair value through profit and loss. Net changes in held for trading financial assets have been recognized in the Statement of Comprehensive Income.

**CM FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**9. INTEREST REVENUE**

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Interest on Held-to-maturity securities	1,404,100	701,846
Interest earned - Bank	792	-
	-----	-----
	<b>1,404,892</b>	<b>701,846</b>
	=====	=====

**10. DIVIDEND INCOME**

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Listed Equity Securities (Dividend)	<b>21,066</b>	<b>18,544</b>
	=====	=====

**11. OTHER INCOME**

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Redemption fees	<b>150</b>	<b>981</b>
	=====	=====

**12. ADMINISTRATIVE EXPENSE**

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Fund Management Fee	164,271	86,684
Custodian Expenses	30,098	14,728
Auditors Remuneration	6,949	5,425
Directors Remuneration	2,600	1,900
Subscription	500	1,000
Printing & Stationary	-	5,426
Telephone & Postage	1,806	863
Office Expenses	2,103	1,677
Software Maintenance fees	2,922	2,674
	-----	-----
	<b>211,249</b>	<b>120,377</b>
	=====	=====

13. **SELLING & PROMOTION EXPENSE**

	2018 GH¢	2017 GH¢
Marketing and Advertising	5,178 =====	2,348 =====

14. **FINANCE COST**

	2018 GH¢	2017 GH¢
Bank Charges	1,867 =====	2,628 =====

15. **OTHER EXPENSES**

The Other Expenses represents any form of expenses other than Administrative, Selling and Promotion and Finance Cost, including redemption expenses. The Redemption expenses consist of the capital gains accumulated on Unitholders' investments which is not distributed based on the Income Distribution Policy of the Fund. These gains are recognized as part of the investment income to the Fund over the period. The Fund recognizes it as an expense when Unitholders redeem their investments.

	2018 GH¢	2017 GH¢
Redemption Expenses	422,866	280,863
Other Expenses	2,375	-
	----- 425,241 =====	----- 280,863 =====

16. **LOSS FROM DISPOSAL OF EQUITIES**

	2018 GH¢	2017 GH¢
Proceeds from Sale of Equities	1,070,791	-
Cost of equities disposed	(1,204,782)	-
Loss from disposal of equities	----- (133,991) =====	----- - =====

**CM FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**17. CAPITAL AND RESERVE**

**i. Unitholders' Fund**

The Capital of the Fund represents the Unitholders' contribution towards the Fund. This can vary from time to time depending on the units subscribed and redeemed over the period. The Fund is not subjected to external capitalization and has no legal restriction on the issue, repurchase or resale of redeemable shares beyond those included in the scheme particulars of the Fund. The objectives for managing capital are:

- ) To undertake investments that meets the description, risk exposure and expected return of the Fund as indicated in the scheme particulars
- ) To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in money market and other capital market.
- ) To maintain sufficient liquidity to meet the expenses of the Fund as well as redemption requests from Unitholders.

	<b>2018</b>	<b>2017</b>
	<b>GH¢</b>	<b>GH¢</b>
Balance as at 1 January	2,536,122	1,636,185
Proceeds from Units issued	3,676,263	1,630,988
Value of Units redeemed	(1,212,904)	(731,051)
	-----	-----
Balance as at 31 December	<b>4,999,481</b>	<b>2,536,122</b>
	=====	=====
Units as at 1 January	5,226,162	4,436,146
Units issued	3,937,135	2,331,902
Units Redeemed	(1,726,352)	(1,541,886)
	-----	-----
Units Outstanding as at 31 December	<b>7,436,945</b>	<b>5,226,162</b>
	=====	=====

**CM FUND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

ii. **Nature and Purpose of Reserves**

**Fair Value Reserve**

This includes the cumulative net-changes in the fair value of available for sale investments.

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Market Value of equity securities	705,084	1,060,200
Cost of equity securities	(689,524)	(1,009,073)
	-----	-----
Fair Value Gains/ (Loss)	<b>15,560</b>	<b>51,127</b>
	=====	=====

**Retained Earnings**

This represents the residual of cumulative annual profit that are available for distribution to Unitholders.

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Retained Earnings	<b>2,332,638</b>	<b>1,684,056</b>
	=====	=====

18. **Contingencies and Commitments**

The Fund operates in the financial service industry and is subject to legal proceedings in the normal course of business. As at the reporting date, there were no potential or threatened legal proceedings, for or against the Fund. There are no contingencies associated with the Fund's compliance or lack of compliance with regulations.

19. **PAYABLES**

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Fund Management Fee	15,456	9,089
Custodian Fee	15,838	1,826

Auditors Remuneration	6,000	5,425
Sundry Creditors	11,263	3,866
	-----	-----
	<b>48,557</b>	<b>20,206</b>
	=====	=====

## 20. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2018 GH¢	2017 GH¢
Value of Equities at 31 December 2018	705,084	1,060,200
Value of Equities at 1 January 2018	(1,060,200)	(134,535)
	-----	-----
Net Changes for the period	(355,116)	925,665
Value of Equities purchased during the period	(885,233)	(771,992)
Value of Equities sold during the period	1,070,791	-
Loss on equity disposal during the period	133,991	-
	-----	-----
Fair Value Gains/ (Loss) for the period	<b>(35,567)</b>	<b>153,673</b>
	=====	=====

## 21. RELATED PARTIES TRANSACTION

Parties are considered related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one party controls both. The definition of related party includes the Fund Manager (SDC Capital Limited), Custodian (GT Bank Custody) and the Non-Executive Directors of the Fund.

### i. Fund Manager (SDC Capital Limited)

The Fund Manager is entitled to receive a management fee of 2.5% per annum calculated on the Net Asset value of the Fund. Management fees are payable monthly in arrears. For the year ending 2018, total management fee is as follows:

	2018 GH¢	2017 GH¢
Fund Management Fee	<b>164,271</b>	<b>86,684</b>
	=====	=====

## ii. Custodian (GT Bank Custody)

The Custodian carries out the usual duties regarding custody, cash and securities deposit without any restrictions. This means that the Custodian is, in particular, responsible for the collection of dividend, interest and proceeds of maturing securities, the exercise of options and, in general, for any other operation concerning the day-to-day administration of the Fund. The total Custodian and administration fee for the year 2018 is as follows:

	<b>2018</b> <b>GH¢</b>	<b>2017</b> <b>GH¢</b>
Custody Fees	<b>30,098</b> =====	<b>14,728</b> =====

## iii. Non-Executive Directors

During the year 2018, the Directors' remuneration consisted only of sitting allowances which amounted to GH¢2,600 (2017: GH¢1,900)

## 22. FINANCIAL RISK MANAGEMENT

### i. Objective and Policy

The Fund's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing controls, identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### i. Risk Management Structure

The Fund's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management of the Fund.

### i. Risk Measurement and Reporting System

The Fund's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models.

The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment. Monitoring and controlling

risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy including the risk that the Fund is willing to accept in the market environment. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risk types and activities.

## 23. TAXATION

Under section 42 of Securities Industry Law, 1993 P.N.D.C.L. (333), mutual funds are not liable to pay income tax or any other tax including levy in respect of income on profits or gains derived by it from any source.



**PROXY FORM**

**ANNUAL GENERAL MEETING** to be held at 10.00 am on 31<sup>st</sup> July, 2019 at Teachers Hall, Accra.

I/We.....  
being a member of the CM Fund Limited  
hereby appoint

.....

.....or failing him, the  
chairman of the Meeting as my/our proxy to  
vote for me/us and on my/our behalf at the  
Annual General Meeting of the company to be  
held at Teachers Hall on Wednesday, 31<sup>st</sup> July  
2019 at 10.00am and at any adjournment  
thereof.

Dated this .....day of.....2019

.....  
Shareholders Signature

Resolution	For	Against
To receive the 2018 Annual Reports		
To approve the remuneration of Directors		

*Please indicate with 'X' in the appropriate box how you wish your votes to be cast on the resolution set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion.*



Guaranty Trust Bank (Ghana) Limited

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