BANQUE SAHELO-SAHARIENNE POUR L'INVESTISSEMENT ET LE COMMERCE (GHANA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Contents **Page**

CORPORATE INFORMATION

Directors:	Mohammed Ahmed Bushra Badawi	(Chairman) (Resigned 16 July 2008)
	Ahmed O. Tarhouny	(Chairman) (Appointed 16 July 2008)
	Hadi Ali Idris	(Managing Director)
	Dr. Kofi Koduah Sarpong	(Appointed 10 January 2008)
	Yousef S. Ahmed Turkman	(Appointed 9 April 2008)
	Abduarahman A. Emhamed Balaou	(Appointed 18 March 2008)
	Ahmed Younes Sebai	
	Ahmed Abdussalam El Shaukri	
	Mohammed Manna Aboushwashi	(Resigned 16 July 2008)

Company secretary:
Ben Danquah
P.O. Box CT 1732 Cantonments
Accra

Registered office:
Glico House
47 Kwame Nkurumah Avenue, Adabraka
P.O. Box CT 1732 Cantonments
Accra

Auditor:
PricewaterhouseCoopers
Chartered Accountants
No.12 Airport City
Una Home, 3rd Floor
PMB CT 42, Cantonments
Accra

Correspondent banks:
British Arab Commercial Bank
Banque Internationale Arabe
Bank of Ghana

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2008, which disclose the state of affairs of the Bank.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and of the profit or loss and cash flows for that period. 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, the requirements of the Companies Code, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

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

Principal activities

The principal activities which the company is authorised to undertake are:

a) To carry on the business of banking in accordance with the provisions of the Banking Act, 2004 (Act 673) and any statutory modifications or re-enactment thereof for the time being in force.
b) To provide micro-financing.
c) To provide investment and financial services

Commencement of operations

The company commenced operations on 1 April 2008.

Results

The results for the year are set out on page 6. The net loss for the year of GH¢1,122,641 has been transferred to the income surplus account.

Dividend

The directors do not recommend the payment of dividend to shareholders.

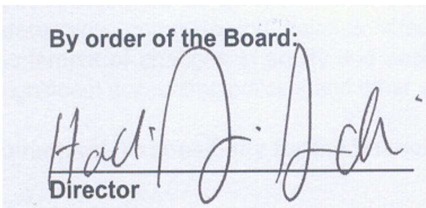
Holding company

The company is a wholly owned subsidiary of Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce Tripoli (Libya), a company incorporated in the Great Socialist People's Libyan Arab Jamahiriya.

DIRECTORS' REPORT (continued)

Auditor

The Bank's auditor, PricewaterhouseCoopers, will continue in office in accordance with the provisions of Section 134 (5) of the Companies Code 1963 (Act 179).



Date: 30th March 2009

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BANQUE SAHELO-SAHARIENNE POUR L'INVESTISSEMENT ET LE COMMERCE (GHANA) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited set out on pages 6 to 40. These financial statements comprise the balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, (Act 738). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

As outlined in Note 21 to the financial statements, pre-operational expenses have been carried forward as an asset on the balance sheet. This practice is not in accordance with the IASB Framework for the Preparation and Presentation of Financial Statements which states that an asset is not recognised in the balance sheet when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. As a result of the Bank's treatment of pre-operational expenses, the loss for the year ended 31 December 2008 has been understated by GH¢ 530,059 and the profit for the year ended 31 December 2007 has been overstated by GH¢ 579,749. In addition, other assets and income surplus accounts would have been overstated by GH¢ 1,109,808 as at 31 December 2008 and by GH¢ 579,749 as at 31 December 2007.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BANQUE SAHELO-SAHARIENNE POUR L'INVESTISSEMENT ET LE COMMERCE (GHANA) LIMITED (continued)

Qualified opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and with the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007, (Act 738).

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. 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 purposes of our audit;

ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

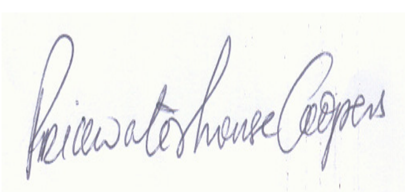
iii) the Bank's balance sheet and profit and loss account are in agreement with the books of account.

In accordance with Section 78(2) of the Banking Act 2004 (Act 673), we hereby confirm that:

i) we were able to obtain all the information and explanation required for the efficient performance of our duties as auditor;

ii) in our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year under review; and

iii) in our opinion, the bank's transactions were within its powers.



Chartered Accountants

Accra

Date: 30th March 2009

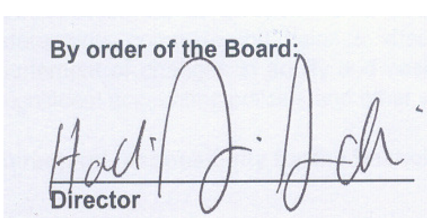
PROFIT AND LOSS ACCOUNT

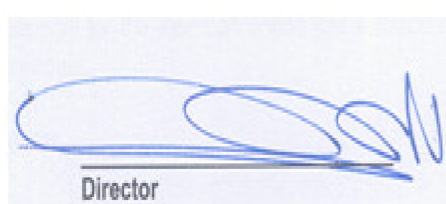
	Note	**2008 GH¢**	2007 GH¢
Interest income	6	**1,320,982**	772,129
Interest expenses	7	**121,887**	-
Net interest income		**1,199,095**	772,129
Fee and commission income	8	**68,855**	-
Net trading income	9	**63,161**	-
		132,016	-
Operating income		**1,331,111**	772,129
Staff costs	10	**650,752**	-
Operating lease rentals		**167,228**	-
Operating expenses	11	**1,504,943**	-
Depreciation and amortisation	12	**130,829**	-
		2,453,752	-
(Loss)/profit before income tax		**(1,122,641)**	772,129
Income tax expense	13	**-**	-
(Loss)/profit for the year		**(1,122,641)**	772,129

BALANCE SHEET

	Note	2008 GH¢	2007 GH¢
Assets			
Cash and balances with Bank of Ghana	14	**2,094,936**	4,088
Due from other banks and financial institutions	15	**2,755,189**	9,333,672
Available-for-sale financial assets	16	**4,362,458**	-
Pledged assets	17	**579,447**	
Loans and advances to customers	18	**2,247,845**	-
Property and equipment	19	**731,065**	204,168
Intangible assets	20	**191,067**	-
Other assets	21	**2,118,970**	923,629
Total assets		**15,080,977**	10,465,557
Liabilities			
Deposits from customers	22	**5,061,311**	-
Defined benefit plan liability	23	**46,020**	
Other liabilities	24	**999,791**	395,928
Total liabilities		**6,107,122**	395,928
Equity			
Stated capital	25	**9,297,500**	9,297,500
Income surplus account	26	**(373,252)**	772,129
Other reserves	27	**49,607**	-
Total equity attributable to equity holders of the Bank		**8,973,855**	10,069,629
Total liabilities and equity		**15,080,977**	10,465,557
Off-balance sheet commitments	28	**463,589**	-

The financial statements on pages 6 to 40 were approved for issue by the Board of Directors on 30th March 2009 and signed on its behalf by:





STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital	Revaluation reserve	Income surplus account	Regulatory credit risk reserve	Total equity
At 1 January 2007		-	-	-	-	-
Issue of shares	25	9,297,500	-	-	-	9,297,500
Profit for the year	26	-	-	772,129	-	772,129
At 31 December 2007		**9,297,500**	**-**	**772,129**	**-**	**10,069,629**
At 1 January 2008		9,297,500	-	772,129	**-**	**10,069,629**
Loss for the year	26	-	-	(1,122,641)	**-**	**(1,122,641)**
Net gains from changes in fair value of available-for-sale assets	27	-	26,867	-	**-**	**26,867**
Transfer to regulatory credit risk reserve	27	-	-	(22,740)	**22,740**	**-**
At 31 December 2008		**9,297,500**	**26,867**	**(373,252)**	**22,740**	**8,973,855**

CASH FLOW STATEMENT

	Note	**2008 GH¢**	2007 GH¢
Cash flows from operating activities			
Net profit before tax		**(1,122,641)**	772,129
Adjustments for:			
Fair value adjustment on initial recognition of staff loans	10	**38,638**	-
Depreciation and amortisation	12	**130,829**	-
		(953,174)	**772,129**
Change in mandatory reserve deposit	14	**(169,601)**	
Change in pledged assets	17	**(579,447)**	
Change in loans and advances to customers	18	**(2,286,483)**	-
Change in other assets	21	**(1,195,341)**	(821,519)
Change in deposits from customers	22	**5,061,311**	-
Change in defined benefit plan	23	**46,020**	
Change in other liabilities	24	**603,863**	293,818
		527,148	**244,428**
Income tax paid	13	**-**	-
Net cash used in operating activities		**527,148**	**244,428**
Cash flow from capital investments			
Purchase of property and equipment	19	**(652,024)**	(204,168)
Purchase of intangible assets	20	**(196,769)**	-
Net cash used in investing activities		**(848,793)**	**(204,168)**
Cash flow from financing activities			
Issue of new shares	25	**-**	9,297,500
Net cash from financing activities		**-**	**9,297,500**
Net (decrease)/increase in cash and equivalents		**(321,645)**	**9,337,760**
Cash and cash equivalents at 1 January	29	**9,337,760**	-
Cash and equivalents at 31 December	29	**9,016,115**	**9,337,760**

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

1. Reporting entity

Banque Sahelo Saharienne pour l'Investissement et le Commerce (Ghana) Limited [BSIC Ghana Limited] is a bank incorporated in Ghana. The Bank operates with a universal banking license that allows it to undertake all banking and related activities.

The bank is a subsidiary of Banque Sahelo-Saharienne Pour L'Investissement et le Commerce,Tripoli (Libya) [BSIC Libya], a company incorporated in the Great Socialist People's Libyan Arab Jamahiriya, which exercises control over the bank. Control exists because BSIC Libya has the power to govern the financial and operating policies of the bank so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The address and registered office of the Bank is :

BSIC (Ghana) Limited
Glico House
47 Kwame Nkrumah Avenue, Adabraka
P.O. Box CT 1732 Cantonment
Accra

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, as modified to include the fair valuation of certain financial instruments to the extent required or permitted under IFRS and as set out in the relevant accounting polices.

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

These are the Bank's first set of financial statements prepared in accordance with IFRS and IFRS 1 'First-time Adoption of International Financial Reporting Standards' has been applied. Previously, the Bank followed Ghana Accounting Standards (GAS) issued by the Institute of Chartered Accountants (Ghana) and guidelines of the Bank of Ghana, the accounting requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, (Act 738) (collectively, 'Local GAAP'). The Bank has used the provisions of IFRS 1 in arriving at appropriate opening balances for the purposes of these financial statements, except as otherwise disclosed.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Reconciliation of profit and equity between IFRS and Ghana GAAP

The bank has applied IFRS in its financial reporting with effect from 1 January 2007, the date of transition, which requires that the same accounting policies be used in the opening IFRS balance sheet and throughout all years presented in the first financial statements.The Bank's financial statements for 2007 were the last financial statements prepared in accordance with local GAAP.

There are no differences resulting from the adoption of IFRS, hence no reconciliation of profit and equity between IFRS and Ghana GAAP is prepared. The comparative figures shown here are consistent with the previously published information.

Standards, interpretations and amendments to published standards that are not yet effective

The following amendments to existing standards and new standard and interpretations will be mandatory for the Bank's accounting periods beginning on or after 1 January 2009. The Bank has not early adopted these standards, interpretations and amendments:

- *IAS 1 Revised – Presentation of financial statements* – from 1 January 2009
- *IAS 19, Empolyee Benefits* – from 1 January 2009
- *IAS 23 – Borrowing Costs (revised)* – from 1 January 2009
- *IFRS 8 – Operating Segments* – from 1 January 2009

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' in the profit and loss account using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts, except those that relate to the performance of certain specified activities.

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

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(c) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan processing fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

(d) Translation of foreign currencies

Transactions are recorded on initial recognition in Ghana Cedi, being the currency of the primary economic environment in which the Bank operates (the functional currency). Transactions in foreign currencies during the year are converted into the functional currency using the exchange rates prevailing at the dates of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account in the year in which they arise.

(e) Financial assets and liabilities

Financial assets

The Bank classifies its financial assets into the following categories: loans, advances and receivables and available-for-sale assets. Management determines the appropriate classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value including direct and incremental transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

(i) *Loans and receivables*
Loans and receivables 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 Bank on initial recognition designates as at fair value through profit and loss; (b) those that the Bank 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 the effective interest method.

(ii) *Available-for-sale*
Available-for-sale assets are those 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. Treasury bills are valued using the bid rate applicable at the end of the financial year to discount the expected future maturity amounts of the existing securities.

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.

Regular way purchases and sales of available-for-sale financial assets are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

Financial liabilities

Financial liabilities are measured at amortised cost and are derecognised when they are extinguished.

Determination of fair value

Fair value for financial assets and liabilities 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, such as loans, advances and receivables, the Bank uses a valuation technique to arrive at the fair value, such as the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Impairment of financial assets

The Bank assesses at each balance sheet 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 Bank about the following loss events:

a) significant financial difficulty of the borrower;
b) a breach of contract, such as default or delinquency in interest or principal repayments;
c) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;
d) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) 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 in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 months and 6 months.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Impairment of financial assets (continued)

(i) Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Impairment of financial assets (continued)

(ii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

(g) Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the period in which they are incurred.

Land and buildings are not depreciated. Depreciation on other assets is calculated on the straight line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Life of the lease up to 50 years
Furniture and equipment	5 years
Motor vehicles	4 years
Computer equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(h) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(i) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. To date, all leases entered into by the Bank are operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Bank of Ghana, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Ghana.

(k) Employee benefits

(i) Retirement benefit obligations

The Bank operates a defined contribution and a defined benefit scheme for its employees. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Bank and employees. The Bank and all its employees also contribute to the Social Security National Insurance Trust, which is a defined contribution scheme.

The Bank's contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit pension scheme was set up for the Bank's expatriate staff.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(k) Employee benefits (continued)

(i) Retirement benefit obligations (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

(ii) Other entitlements

The estimated monetary liability for employees' outstanding annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(l) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(m) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(n) Stated capital

Ordinary shares are classified as equity.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are approved by the Bank's shareholders.

(p) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

(q) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(r) Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

(s) Pre-operational expenses

Pre-operational expenses represent all setting up costs incurred directly by the parent company as well as costs incurred locally by the Bank. These are deferred and amortised over a period of five years from commencement of operations, in line with the group accounting policy of its parent company.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management

Introduction and overview

The Bank has exposure to credit, liquidity and market risks from its use of financial instruments:

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and its management of capital.

The bank received its banking license in 2008. Most of the risk management systems were implemented in 2008 and thus not applicable to 2007.

<u>Risk management framework</u>

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Board has established the Asset and Liability Management committee (ALCO), Credit Committee and a Risk Management Department, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. The committees include members of executive management and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board's Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework established in the bank to mitigate risks. This committee is assisted in these functions by the Internal Audit and Inspection Department of the Bank which ensures a consistent assessment of risk management controls and procedures through both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board's Risk Committee through the Board Audit Committee.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is performed by the credit risk team in the risk department, which reports regularly to the Board of Directors.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

(a) **Credit risk (continued)**

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

The Credit Committee, a sub-committee of the board has responsibility for credit risk issues. Procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals.

The Credit Department working with the Risk Officer takes responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of Bank's standards, policies and business strategy.

<u>Credit management and provisioning</u>

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are classified as impaired by the Loans Review Committee, which is charged with the responsibility of periodic review of all loans, if it is more than 30 days past due.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Bank writes off a loan/security balance (and any related allowances for impairment losses) when the Credit Department determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller standardised loans, charge off decisions generally are based on a product specific past due status.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management**

(a) **Credit risk (continued)**

Credit management and provisioning (continued)

Settlement risk
The Bank's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The Bank mitigates this risk by assessing the cashflow of the customer before the loan is made available as well as by putting preference on instalment repayment of loan facilities as against final lump sum payment.

Collateral security against loans and advances
The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of a reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2007 or 31 December 2008.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum exposure to credit risk before collateral held at the end of the year was:

	2008	2007
	GH¢	GH¢
Due from other banks and financial institutions	**2,755,189**	9,333,672
Available-for-sale financial assets	**4,362,458**	-
Pledged assets	**579,447**	-
Loans and advances to customers	**2,247,845**	-
Credit risk exposure relating to off-balance sheet items:		
- Letters of credit	**362,610**	-
- Guarantees	**100,979**	-
	10,408,528	9,333,672

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

(a) **Credit risk (continued)**

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- the Bank exercises stringent controls over the granting of new loans
- 0% of the loans and advances portfolio are neither past due nor impaired
- 93.6% of the loans and advances portfolio are backed by collateral
- 100% of the available-for-sale financial assets are government securities.
- 100% of the pledged assets are government securities.

Financial assets that are past due or impaired

Loans and advances to customers are summarised as follows:

	2008	2007
	GH¢	GH¢
Neither past due but nor impaired	**2,247,845**	-

Loans and advances less than 30 days past due are not considered impaired, unless other information is available to indicate the contrary.

There were no loans and advances classified as past due or impaired at the year-end.

(b) **Concentrations of risk**

Economic sector risk concentrations within the customer loan portfolios were as follows:

	2008	2007
	GH¢	GH¢
Mining and quarrying	**851,794**	-
Commerce and finance	**395,596**	-
Services	**853,565**	-
Miscellaneous	**146,890**	-
		-
Net loans and advances	**2,247,845**	-

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

(c) **Liquidity risk**

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

Liquidity risk management is governed by the Bank's Asset and Liability Management Committee (ALCO), which is chaired by an Executive Director. ALCO is responsible for both statutory and prudential liquidity. These responsibilities include the provision of authorities, policies and procedures.

ALCO has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

The Bank also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

ALCO oversees the structural foreign exchange and interest rate exposures that arise within the Bank. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by ALCO. Compliance with Bank ratios is also monitored by ALCO.

The Bank of Ghana requires that the Bank maintain a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The treasury department monitors liquidity ratios on a daily basis.

The table below presents the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date. All figures are in Ghana Cedis.

Maturity analysis of assets and liabilities for the year ended 31 December 2008

	0 - 3 Months	**3 - 6 Months**	**6 - 12 Months**	**Over 1 Year**	**Total**
Liabilities					
Deposits from customers	5,033,064	28,247	-	-	5,061,311
Defined benefit plan liability	-	-	-	46,020	46,020
Other liabilities	287,850	-	671,919	40,022	999,791
(Contracted maturity dates)	5,320,914	28,247	671,919	86,042	6,107,122
Assets					
Cash and balances with Bank of Ghana	2,094,936	-	-	-	2,094,936
Due from other banks and financial institutions	2,755,189	-	-	-	2,755,189
Available-for-sale financial assets	4,362,458	-	-	-	4,362,458
Pledged assets	579,447				579,447
Loans and advances to customers	256,863	493,216	592,518	905,248	2,247,845
(Expected maturity dates)	10,048,893	493,216	592,518	905,248	12,039,875
Net liquid assets/(liabilities)	**4,727,979**	**464,969**	**(79,401)**	**819,206**	**5,932,753**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

(c) Liquidity risk (continued)

Maturity analysis of assets and liabilities for the year ended 31 December 2007

	0 - 3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year	Total
Liabilities (contracted maturity dates)	4,343	-	-	391,585	395,928
Assets (expected maturity dates)	9,337,760	-	-	-	9,337,760
Net liquid assets/(liabilities)	**9,333,417**	**-**	**-**	**(391,585)**	**8,941,832**

(d) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by (ALCO) and for the day to day implementation of those policies.

Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below.

(i) Historical analysis
The bank uses historical data as a tool for measuring and prediction of market risk basis by determining the possible range of future outcomes on interest rate changes, county risk and exchange rate risks. All these are monitored regularly by the Risk Management department. The overall structure of market risk is subject to review and approval by ALCO.

(ii) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the treasury department include: risk factor stress testing, where stress movements are applied to each risk category; emerging market stress testing, where emerging market portfolios are subject to stress movements; and ad hoc stress testing, which includes applying possible stress events to specific positions or regions – for example, the stress outcome to a region following a currency peg break.

The Bank conducts stress testing by developing possible scenarios of the most extreme conditions for each type of stress test and assesses the impact of these extreme conditions on the operating performance and results of the Bank. The results of the stress tests are reviewed by senior management and by the Board of Directors.

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

All foreign exchange purchases and sales are coordinated by Treasury Department. The Bank does not normally hold positions to manage the risk associated with foreign exchange. The Treasury Department ensures that before a purchase deal is contracted, sales deal for the day had been done, hence purchases are done to match sales deals

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's financial instruments, categorised by currency (all amounts expressed in Ghana Cedis):

Year ended 31 December 2008	**Ghana Cedis**	**USD**	**GBP**	**EURO**	**Total**
Assets					
Cash and balances with Bank of Ghana	659,434	1,382,002	3,054	50,446	**2,094,936**
Due from other banks and financial institutions	127,901	1,651,303	-	975,985	**2,755,189**
Available-for-sale financial assets	4,362,458	-	-	-	**4,362,458**
Pledged assets	579,447	-	-	-	**579,447**
Loans and advances to customers	1,534,269	713,576	-	-	**2,247,845**
Total assets	7,263,509	3,746,881	3,054	1,026,431	**12,039,875**
Liabilities					
Deposits from customers	1,709,965	2,590,961	342	760,043	**5,061,311**
Defined benefit plan liability	-	-	-	46,020	**46,020**
Other liabilities	199,068	27,047	-	773,676	**999,791**
Total liabilities	1,909,033	2,618,008	342	1,579,739	**6,107,122**
Net on-balance sheet position	**5,354,476**	**1,123,873**	**2,712**	**(553,308)**	**5,932,753**
Net off-balance sheet position	**100,978**	**362,611**	**-**	**-**	**463,589**
Overall open position	**5,455,454**	**1,486,484**	**2,712**	**(553,308)**	**6,396,342**
Year ended 31 December 2007					
Total assets	9,337,760	-	-	-	**9,337,760**
Total liabilities	4,343	-	-	391,585	**395,928**
Net on-balance sheet position	**9,333,417**	**-**	**-**	**(391,585)**	**8,941,832**
Net off-balance sheet position	**-**	**-**	**-**	**-**	**-**
Overall open position	**9,333,417**	**-**	**-**	**(391,585)**	**8,941,832**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

(d) **Market risk (continued)**

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items. All figures are in Ghana Cedis.

Year ended 31 December 2008

	0 - 3 Months	**3 - 6 Months**	**6 - 12 Months**	**Over 1 Year**	**Total**
Assets					
Cash and balances with Bank of Ghana	2,094,936	-	-	-	**2,094,936**
Due from other banks and financial institutions	2,755,189	-	-	-	**2,755,189**
Available-for-sale financial assets	4,362,458	-	-	-	**4,362,458**
Pledged assets	579,447				**579,447**
Loans and advances to customers	256,863	493,216	592,518	905,248	**2,247,845**
	10,048,893	493,216	592,518	905,248	**12,039,875**
Liabilities					
Deposits from customers	5,033,064	28,247	**-**	-	**5,061,311**
Defined benefit plan liability	-	-	**-**	46,020	**46,020**
Other liabilities	287,850	-	671,919	40,022	**999,791**
	5,320,914	28,247	671,919	86,042	**6,107,122**
Net liquid assets/(liabilities)	**4,727,979**	**464,969**	**(79,401)**	**819,206**	**5,932,753**

Year ended 31 December 2007

Liabilities	4,343	-	-	391,585	395,928
Assets	9,337,760	-	-	-	9,337,760
Net liquid assets/(liabilities)	**9,333,417**	**-**	**-**	**(391,585)**	**8,941,832**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

(e) Fair values of financial assets and liabilities

The fair value of available-for-sale financial assets at 31 December 2008 is estimated at GH¢4,389,325 (2007: Nil) compared to their carrying value of GH¢4,362,458 (2007: Nil). The fair values of the Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Bank at the balance sheet date.

4 Capital management

The Bank’s objectives when managing capital, which is a broader concept than the ‘equity’ on the balance sheets, are:

- to comply with the capital requirements set by the Bank of Ghana;
- to safeguard the Bank’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis.

Bank of Ghana (BoG) requires each bank to:
(a) hold the current minimum level of regulatory capital of GH¢7 million (GH¢60 million by 2009);
(b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the ‘Basel ratio’) at or above the required minimum of 10%;

The bank’s total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): stated capital plus income surplus account.
- Tier 2 capital (supplementary capital): (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the bank for at 31 December:

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

4 **Capital management (continued)**

	2008 **GH¢**	2007 GH¢
Tier 1 capital	**8,924,248**	10,069,929
Tier 2 capital	**49,607**	-
Tier 1 + Tier 2 capital	**8,973,855**	10,069,929
Risk-weighted assets		
On-balance sheet	**5,920,961**	3,004,740
Off-balance sheet	**411,991**	590,323
Total risk-weighted assets	**6,332,952**	3,595,063
Basel ratio		
Tier 1	**140.92%**	280.10%
Tier 1 + Tier 2 (BoG minimum – 10%)	**141.70%**	280.10%

5. **Critical accounting estimates and judgements in applying accounting policies**

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

(a) Impairment losses on loans and advances
The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of available-for-sale investments
The Bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

		2008 GH¢	2007 GH¢
6.	**Interest income**		
	Interest from placements with local banks	**845,499**	772,129
	Interest from placements with foreign banks	**645**	-
	Interest from available-for-sale financial assets	**401,492**	-
	Interest from loans and advances	**73,346**	-
		1, 320,982	772,129
7.	**Interest expense**		
	Interest on time deposit accounts	**78,563**	-
	Interest on savings accounts	**739**	-
	Interest on amounts due to parent company	**42,585**	-
		121,887	-
8.	**Fee and commission income**		
	Commission income from letters of credit	**8**	-
	Commission income from guarantees	**7,497**	-
	Commission income from transfers and swift	**34,266**	-
	Commission income from loans and advances	**774**	-
	Commission income from cash withdrawals	**21,771**	-
	Other commission income	**4,539**	-
		68,855	-
9.	**Net trading income**		
	Income from dealing in foreign exchange (net)	**63,130**	-
	Income from dealing in available-for-sale financial assets	**31**	-
		63,161	-

Income from dealing in foreign exchange includes a revaluation loss of GH¢168,424 in respect of amount due to parent company, which is denominated in Euro.
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		2008 GH¢	2007 GH¢
10.	**Staff costs**		
	Wages and salaries	**546,328**	-
	Employer's social security contributions	**45,658**	-
	Medical expenses	**15,520**	-
	Other staff costs	**43,246**	-
		650,752	-

Included in wages and salaries is an amount of **GH¢ 38,638** relating to a fair value adjustment on initial recognition for staff loans and **GH¢ 40,022** being contributions to the Bank's defined contribution scheme.

The number of persons employed by the bank at the end of the year was **43** (2007: 5)

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

		2008 GH¢	2007 GH¢
11.	**Operating expenses**		
	Advertising and marketing expenses	**15,236**	-
	Administrative expenses	**514,136**	-
	Business travel expenses	**107,450**	-
	Presentations and donations	**9,559**	-
	Software licensing and other IT costs	**103,793**	-
	Training	**22,084**	-
	Directors' emoluments	**384,267**	-
	Auditors' remuneration	**43,468**	-
	Technical assistance fees	**154,601**	-
	Amortisation of pre-incorporation expenses	**150,349**	-
		1,504,943	-

The following items are included within directors' emoluments:

Contributions during the year to retirement benefit schemes:		
– defined benefits scheme current service cost	**46,020**	-
– defined benefits scheme interest cost	**-**	-
– defined benefits scheme expected and actual returns	**-**	-
	46,020	-

12.	**Depreciation and amortisation**		
	Depreciation of property and equipment (Note 18)	**125,127**	-
	Amortisation of intangible assets (Note 19)	**5,702**	-
		130,829	-

13. **Income tax expense**

In accordance with article (4) of the agreement between the Government of the Republic of Ghana and Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce Tripoli (Libya) signed on 14 December 2006, Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited is exempted from all taxes. As a result, the company has not made any provision for corporate income tax.

14	**Cash and balances with Bank of Ghana**	**2008 GH¢**	2007 GH¢
	Cash in hand	**182,319**	2,641
	Balances with Bank of Ghana	**1,912,617**	1,447
		2,094,936	4,088

Balances with Bank of Ghana include a mandatory reserve deposit of **GH¢169,601** (2007: Nil). This reserve deposit is not available to finance day to day operations and does not attract interest.

All amounts above are current.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

	2008 GH¢	2007 GH¢
15. Due from other banks and financial institutions		
Nostro account balances	**1,398,284**	-
Due from other local banks	**14,516**	324,935
Placements with local banks	**1,223,715**	8,995,976
Items in course of collection	**109,629**	-
Interest receivable on placements	**9,045**	12,761
	2,755,189	9,333,672

All amounts are current.

16. Available-for-sale financial assets		
Treasury bills	**4,362,458**	-

Movement in available-for-sale financial assets:

At 1 January	**-**	-
Additions	**5,292,591**	-
Disposals	**(957,000)**	-
Net gains from changes in fair value (Note 26)	**26,867**	-
At 31 December	**4,362,458**	-

Analysis by maturity:

Maturing within 90 days of the date of acquisition	**4,362,458**	-

Treasury bills are debt securities issued by the Bank of Ghana for a term of three months, six months or a year. Treasury bills have been classified as available-for-sale financial assets.

All amounts are current.

17. **Pledged assets**

These relate to treasury bills pledged against deposits from customers. These are all current balances.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

18. Loans and advances to customers

a) Analysis of loans and advances by type

	2008 GH¢			2007 GH¢		
	Gross amount	**Impair-ment allowance**	**Carrying amount**	Gross amount	Impair-ment allowance	Carrying amount
Corporate customers	**2,065,210**		**2,065,210**	-	-	-
Overdraft and credit lines	**650,405**	**-**	**650,405**	-	-	-
Short term loans	**701,229**	**-**	**701,229**	-	-	-
Medium term loans	**713,576**	**-**	**713,576**	-	-	-
Retail customers	**179,193**		**179,193**	-	-	-
Personal loans	**35,745**	**-**	**35,745**	-	-	-
Staff loans	**134,448**	**-**	**134,448**	-	-	-
Interest receivable	**12,442**	**-**	**12,442**	-	-	-
	2,247,845	**-**	**2,247,845**	-	-	-

Included in staff loans is a credit amount of **GH¢ 38,638** relating to a fair value adjustment on initial recognition for staff loans

The maximum amount of staff indebtedness during the year amounted to **GH¢188,750** (2007: Nil).

b) Analysis of loans and advances by business sector

	2008 GH¢	2007 GH¢
Mining and quarrying	**851,794**	-
Commerce and finance	**395,596**	-
Services	**853,565**	-
Miscellaneous	**146,890**	-
Gross loans and advances	**2,247,845**	**-**
Less: Allowance for impairment	**-**	-
Net loans and advances	**2,247,845**	**-**
Private enterprises	**2,027,710**	-
Associations and other organisations	**37,500**	-
Individuals	**170,193**	-
Other	**12,442**	-
Gross loans and advances	**2,247,845**	-
Less: Allowance for impairment	**-**	-
Net loans and advances	**2,247,845**	-

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

18. **Loans and advances to customers (continued)**

c) Analysis of loans and advances by security

	2008 GH¢	2007 GH ¢
Secured	2,092,836	-
Unsecured	155,009	-
	2,247,845	-

d) Analysis of loans and advances by performance

	2008	2007
Performing	2,247,845	-
Non-performing	-	-
	2,247,845	-
Loan loss provision ratio (as required by Bank of Ghana Prudential Regulations)	1%	-
Gross non-performing loans ratio	-	-
Ratio of 50 largest exposures to total exposure	100%	-

e) Analysis of loans and advances by maturity

	2008	2007
Current	1,342,597	-
Non-current	905,248	-
	2,247,845	-

19. **Property and equipment**

2008

	Leasehold improve-ments	Furniture and equip-ment	Computers	Motor vehicles	Total
Cost					
At 1 January 2008	110,267	53,805	6,743	33,353	204,168
Additions	86,658	194,455	205,617	165,294	652,024
Disposals	-	-	-	-	-
At 31 December 2008	196,925	248,260	212,360	198,647	856,192
Accumulated depreciation					
At 1 January 2008	-	-	-	-	-
Charge for the year	14,769	28,382	52,905	29,071	125,127
At 31 December 2008	14,769	28,382	52,905	29,071	125,127
Net book value					
At 31 December 2008	182,156	219,878	159,455	169,576	731,065

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

19. **Property and equipment (continued)**

2007

	Leasehold improve-ments	Furniture and equip-ment	Computers	Motor vehicles	Capital work-in-progress	Total
Cost						
At 1 January 2007	-	-	-	-	-	-
Additions	-	33,562	6,743	33,353	130,510	**204,168**
Transfers	110,267	20,243	-	-	(130,510)	-
At 31 December 2007	**110,267**	**53,805**	**6,743**	**33,353**	-	**204,168**
Accumulated depreciation						
At 1 January 2007	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
At 31 December 2007	**-**	**-**	**-**	**-**	**-**	**-**
Net book value						
At 31 December 2007	**110,267**	**53,805**	**6,743**	**33,353**	**-**	**204,168**

20. **Intangible assets**

	2008 GH¢	2007 GH ¢
Cost		
At 1 January	-	-
Acquisitions	**196,769**	**-**
At 31 December	**196,769**	**-**
Accumulated amortisation		
At 1 January	-	-
Amortisation for the year	**5,702**	**-**
At 31 December	**5,702**	**-**
Net book value		
At 31 December	**191,067**	**-**

Intangible assets relate to the Bank's operational software.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

21. Other assets

	2008 GH¢	2007 GH¢
Pre-operational expenses	**1,109,808**	579,749
Prepaid operating lease – leasehold land	**626,566**	-
Prepayments	**373,138**	343,880
Stationery and other stock	**7,148**	-
Other receivables	**2,310**	-
	2,118,970	923,629

Pre-operational expenses relate to transport and travel expenses, staff costs, communication costs, rental charges, professional service fees and other expenses incurred prior to commencement of operations. Amortisation for the year amounts to GH¢ 150,349 and has been charged to the profit and loss account.

	2008 GH¢	2007 GH¢
Current	**225,983**	188,809
Non-current	**1,892,987**	734,820
	2,118,970	923,629

22. Deposits from customers

a) Analysis of deposits from customers by type of deposit

	2008 GH¢	2007 GH ¢
Current and call account	**3,819,897**	-
Savings account	**31,615**	-
Cash collateral	**10,537**	-
Time deposit	**1,164,818**	-
Other deposits	**651**	-
Interest payable	**33,793**	-
	5,061,311	-

b) Analysis of deposits from customers by type of customer

	2008 GH¢	2007 GH ¢
Private enterprises	**3,116,854**	-
Public enterprises	**500,000**	-
Associations and other organisations	**1,255,647**	-
Individuals	**155,017**	-
	33,793	-
	5,061,311	-

Ratio of 20 largest depositors to total deposits is 86%.

All amounts are current.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

23. **Defined benefit plan liability**	**2008 GH¢**	2007 GH¢
Defined benefit scheme	**46,020**	-

This is a scheme set up for expatriate management staff. It is wholly funded by the Bank. The directors have not computed the present value of the defined benefit obligation as at end of the year. They have determined that since the Bank commenced operations during the year, the liability accrued for which relates to less than one year of service, approximates the present value of the obligation. Currently there are three (3) employees on the scheme.

24. **Other liabilities**	**2008 GH¢**	2007 GH¢
Deferred income (fees and commissions)	**50,796**	-
Banking items for clearing and collection	**113,241**	-
Other accounts payable	**163,835**	4,343
Due to parent company	**671,919**	391,585
	999,791	395,928
Current	**959,769**	4,343
Non-current	**40,022**	391,585
	999,791	395,928

25. **Stated capital**	**2008 GH¢**		2007 GH¢	
	No. of Shares	**Proceeds**	**No. of Shares**	**Proceeds**
Authorised				
Ordinary shares of no par value	**500,000,000**		500,000,000	
Issued				
For cash consideration	**3,000**	**9,297,500**	3,000	9,297,500

There is no unpaid liability on any shares. There are no treasury shares held. There are no calls or instalments unpaid.

26. **Income surplus account**

	2008 GH¢	2007 GH¢
At 1 January	**772,129**	-
(Loss)/profit for the year transferred from profit and loss account	**(1,122,641)**	772,129
Transfer to regulatory credit risk reserve	**(22,740)**	-
At 31 December	**(373,252)**	772,129

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

27. Reserves

	2008 GH¢	2007 GH¢
Revaluation reserve	26,867	-
Statutory reserve fund	-	-
Regulatory credit risk reserve	22,740	-
	49,607	-

(a) Revaluation reserve

	2008 GH¢	2007 GH¢
At 1 January	-	-
Net gains from changes in fair value of available-for-sale assets	26,867	-
At 31 December	26,867	-

Gains or losses arising from the changes in fair value of available-for-sale financial assets are recognised directly in this reserve account, which is non-distributable.

(b) Statutory reserve fund

Section 29 (1) of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, Act (738) requires a cumulative amount to be set aside from annual net profit after tax into a statutory reserve fund. The proportion of net profit transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the ratio of existing statutory reserve fund to paid up capital. No appropriation was made for 2007 as the Bank had not yet obtained a banking licence. As the company did not make any net profit in 2008, no appropriation has been made. This reserve is non-distributable.

(c) Regulatory credit risk reserve

	2008 GH¢	2007 GH¢
At 1 January 2008	-	-
Excess of regulatory provision over IFRS impairment provision	22,740	-
At 31 December 2008	22,740	-

The regulatory credit risk reserve represents an additional loan loss provision for the year to comply with the Bank of Ghana Prudential Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with the Bank of Ghana Prudential Regulations over the impairment provisions recognised in accordance with the Bank's accounting policy. This reserve is non-distributable.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

28. Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Contingent liabilities	2008 GH¢	2007 GH¢
Acceptances and letters of credit	**362,611**	-
Guarantees	**100,978**	-
	463,589	-

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

The above contingent liabilities are all secured.

Operating lease commitments	2008 GH¢	2007 GH¢
Not later than one year	**191,955**	160,809
Later than 1 year and not later than 5 years	**159,604**	155,071
Later than 5 years	**588,972**	-
	940,531	315,880

Other commitments

Undrawn formal stand-by facilities, credit lines and other commitments to lend	**1,146,475**	**-**
Purchase of property and equipment	**358,200**	640,000

Nature of commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

29. Analysis of cash and cash equivalents as shown in the cash flow statement

	2008 GH¢	2007 GH¢
Cash and balances with Bank of Ghana (Note 14)	**1,925,335**	4,088
Available-for-sale financial assets (Note 16)	**4,335,591**	-
Due from other banks and financial institutions (Note 15)	**2,755,189**	9,333,672
	9,016,115	9,337,760

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 60 days maturity from the date of acquisition including: cash and balances with Bank of Ghana, amounts due from other banks and financial institutions and available-for-sale financial assets (excluding fair value gains).

Banks are required to maintain a prescribed minimum cash balance with the Bank of Ghana that is not available to finance the bank's day-to-day activities. The amount is determined as 9% of the average outstanding customer deposits over a cash reserve cycle period of one week. As at 31 December 2008 this amounted to GH¢169,601 and has been excluded from the above cash and balances with Bank of Ghana.

30. Related party transactions

The Bank is controlled by Banque Sahelo Saharienne pour l'Investissement et le Commerce (BSIC) Tripoli, (Libya). There are twelve other banks on the African continent (BSIC Affiliates) which are related to the Bank through common shareholding or common directorships.

In the normal course of business, current accounts are operated and placements of foreign currencies are made with the parent Bank and the Affiliates at interest rates in line with the market. The relevant balances with related parties are shown below:

Amounts due to parent company:

	2008 GH¢	2007 GH¢
BSIC Libya	**671,919**	391,585
Interest expense incurred on the above	**42,584**	-

Loans and advances to customers at 31 December 2008 do not include loans to directors, loans to companies controlled by directors or their families.

At 31 December 2008 loans and advances to employees amounted to **GH¢173,086** (2007: Nil).

Key management compensation	2008 GH¢	2007 GH¢
Salaries and other short-term employment benefits	**163,190**	-
Post-employment benefits	**12,275**	-
	175,465	-

Directors' remuneration

Other emoluments (including director's sitting allowance)	**384,267**	-

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

31. Social responsibilities

The amount spent on fulfilling social responsibilities for the year was **GH¢9,559** (2007: Nil)