



SAHEL SAHARA BANK

Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited

Annual Report

For the year ended 31 December 2010

INCOME STATEMENT

(All amounts are expressed in Ghana Cedis)

	<u>31 December</u>	
	2010	2009
Interest income	7,022,521	2,413,031
Interest expenses	<u>(2,945,064)</u>	<u>(1,121,198)</u>
Net interest income	4,077,458	1,291,833
Fees and commission income	1,604,041	341,683
Other operating income	<u>782,283</u>	<u>246,677</u>
Operating income	<u>6,463,782</u>	<u>1,880,193</u>
Staff costs	4,222,089	2,441,390
Operating lease rentals	1,101,852	658,370
Operating expenses	3,277,557	2,497,317
Loan impairment charge	428,699	172,981
Depreciation and amortisation	<u>1,059,353</u>	<u>426,043</u>
Total expenses	<u>10,089,550</u>	<u>6,196,101</u>
Loss before income tax	(3,625,768)	(4,315,908)
Income tax expense	-	-
Loss for the year	<u>(3,625,768)</u>	<u>(4,315,908)</u>

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana Cedis)

	<u>31 December</u>	
	2010	2009
Loss for the year	(3,625,768)	(4,315,908)
Fair value (loss)/gain on investment securities – available-for-sale		
-Reclassification adjustment for realised gain/(loss)	8,549	(26,867)
-Unrealised gain/(loss) arising during the year	<u>181,600</u>	<u>(8,549)</u>
Total comprehensive income	<u>(3,435,619)</u>	<u>(4,351,324)</u>



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BALANCE SHEET

(All amounts are expressed in Ghana Cedis)

	<u>31 December</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash and balances with Bank of Ghana	9,502,669	2,543,278
Investment securities – available-for-sale	10,548,232	114,786
Due from other banks	9,106,102	3,483,325
Loans and advances to customers	24,165,490	7,923,377
Pledged assets	7,411,085	2,778,368
Property and equipment	6,254,857	6,040,889
Intangible assets	299,556	213,420
Other assets	<u>1,355,785</u>	<u>2,134,715</u>
Total assets	<u>68,643,776</u>	<u>25,232,158</u>
Liabilities		
Due to other banks	4,294,096	1,000,518
Deposits from customers	41,388,736	19,173,121
Retirement benefits obligation	71,691	57,648
Other liabilities	<u>2,050,577</u>	<u>1,488,147</u>
Total liabilities	<u>47,805,100</u>	<u>21,719,434</u>
Equity		
Stated capital	30,059,071	9,297,500
Regulatory credit risk reserve	679,375	130,182
Income surplus account (deficit)	(10,081,370)	(5,906,409)
Revaluation reserve	<u>181,600</u>	<u>(8,549)</u>
Total shareholders' equity	<u>20,838,676</u>	<u>3,512,724</u>
Total liabilities and shareholders' equity	<u>68,643,776</u>	<u>25,232,158</u>



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STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana Cedis)

	2010	2009
Cash flows from operating activities		
Loss before income tax	(3,625,768)	(4,315,908)
Adjustments for non cash items:		
Charge for impairment on loans and advances	428,699	172,981
Depreciation of property, plant and equipments	<u>1,059,353</u>	<u>426,043</u>
Cash generated from operating activities before change in operating assets and liabilities	(2,137,716)	(3,716,884)
Change in operating assets and liabilities		
Increase in mandatory cash reserve deposit	(910,766)	(1,141,271)
Increase in loans and advances to customers	(16,670,812)	(5,848,513)
Increase in pledged assets	(4,632,717)	(2,234,337)
Increase in other assets	778,930	(1,752,119)
Increase in deposits from customers	22,215,615	14,111,810
Increase in retirement benefit obligation	14,043	11,628
Increase in other liabilities	<u>562,430</u>	<u>488,356</u>
Net cash used in operating activities	<u>(780,993)</u>	<u>(81,330)</u>
Cash flow from investing activities		
Purchase of property and equipment	(1,176,525)	(5,061,791)
Purchase of intangible assets	<u>(182,932)</u>	<u>(69,862)</u>
Net cash used in investing activities	<u>(1,359,457)</u>	<u>(5,131,653)</u>
Net cash from financing activities		
Proceeds from issue of shares	<u>20,761,571</u>	-
Net decrease in cash and equivalents	18,621,121	(5,212,983)
Cash and cash equivalents at 1 January	<u>3,829,999</u>	<u>9,042,982</u>
Cash and cash equivalents at 31 December	<u>22,451,120</u>	<u>3,829,999</u>



SAHEL SAHARA BANK

Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited

Annual Report

For the year ended 31 December 2010

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2010, 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 activity

The principal activity of the bank is to provide banking and related services.

Financial results

The results for the year are set out on page 5. The net loss for the year of GH¢3,625,768 has been transferred to the income surplus account.

Dividend

The directors do not recommend the payment of dividend to shareholders (2009: Nil).

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.

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).

BY ORDER OF THE BOARD

YOUSEF S. AHMED TURKMAN

CHAIRMAN

ROBERT K. BENTIL

MANAGING DIRECTOR

**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 5 to 47. These financial statements comprise the balance sheet as at 31 December 2010, the income statement, statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 2007 (Act 738) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 the audit to obtain reasonable assurance about whether 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 of financial statements that give a true and fair view 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 management, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by 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 balance sheet and income statement 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, 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

Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited

Financial Statements

For the year ended 31 December 2010

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 limited liability company 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.

The address and registered office of the Bank is BSIC (Ghana) Limited, Glico House, 47 Kwame Nkrumah Avenue, Adabraka, 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). Additional Information required by the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) is included where appropriate. The financial statements have been prepared under the historical cost convention except for available-for-sale financial assets which have been measured at their fair value.

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 5.

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

Standards, amendments and interpretations effective on or after 1 January 2010

The following standards, amendments and interpretations, became effective in 2010 but were not relevant for the Bank's operations:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IAS 27 (Amendment)	Consolidated and separate financial statements	1 July 2009
IAS 39 (Amendment)	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 9 and IAS 39	Embedded Derivatives	30 June 2009
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009
IFRS 1 (Amendment)	Additional exemption for first-time adoption	1 January 2010
IFRS 3 (Amendment)	Business combinations	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009

Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited

Financial Statements

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(All amounts are in Ghana cedis unless otherwise stated)

IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations	1 July 2009
IFRS 2 (amendments)	Cash-settled share-based payment transactions	1 January 2010
IAS 36 (amendment)	Impairment of assets	1 January 2010

Early adoption of standards

The bank has not early adopted any new amended standards.

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments classified as available-for-sale, or other loans and receivables are recognised within 'interest income' or 'interest expense' in the income statement using the effective interest method.

(c) Fee and commission income

Fees and commissions are recognised on an accrual basis when the service is provided. Commitment fees, together with related direct costs, for loan facilities where draw-down is probable are deferred and recognised as an adjustment to the effective interest rate on the loan.

(d) Foreign currency transactions

The financial statements are presented in Ghana Cedis, which is the Bank's functional and presentation currency.

(e) Financial assets and liabilities

Financial assets

The Bank classifies its financial assets into the following categories: loans and receivables and available-for-sale financial 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.

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 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.

Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited

Financial Statements

For the year ended 31 December 2010

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(All amounts are in Ghana cedis unless otherwise stated)

(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.

(g) Property and equipment

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. Following the IASB 2009 improvement project on lease under IAS 17, the Bank reassessed its leasehold land to be either an operating or finance lease. Leasehold land was concluded to be a finance lease. Leasehold land is amortised over the term of the lease and is included as part of property and equipment.

Depreciation on 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 land and 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.

(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 income statement 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.

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(All amounts are in Ghana cedis unless otherwise stated)

(k) Employee benefits

(i) Retirement benefit obligations

The Bank operates a defined contribution 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.

(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) Stated capital

Ordinary shares are classified as equity.

(n) 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.

(o) Acceptances and letters of credit

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

(p) 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.