

SECURITIES & EXCHANGE COMMISSION, GHANA



**2005** ANNUAL *Report*



## THE MISSION OF THE SEC

To promote the orderly growth and development of an efficient, fair and transparent securities market in which investors and the integrity of the market are protected through the proactive implementation of the Securities Laws.



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## CHAIRMAN'S STATEMENT

The Commission recognizes the challenges that emerged in both the economy and the capital market during the year covered by this report and wishes to stress its commitment to turning these challenges into opportunities for the development and growth of the capital market in Ghana.

The challenging global market conditions, particularly rising crude oil prices on the international commodities market, continuously posed a serious downside risk to the country's macro-economic stability which included among other things, erosion of business, investor and consumer confidence culminating in a prolonged bear stock market during the year.

The immediate response which mitigated some of the negative effects of these developments on the stock market, was the quick approval of the Commission to the Ghana Stock Exchange to introduce daily trading. This increased the volume of trade and injected some level of liquidity into the market.

The declining share prices reflected the general underlying weakness of investor sentiments about the market. This compelled the Commission to resort to the increasing use of enforcement actions against market operators who violated the Securities Law, Rules and Regulations, particularly those related to investor rights and the principles of "know thy clients". This strategy of enforcement helped to deliver far-reaching results that succeeded in shoring-up investor confidence in a bearish market. For example, the year covered by this report witnessed the suspension of operating licenses of five member firms for non-compliance, ranging from late submission of half-yearly and annual reports to failure in meeting the industry's minimum financial requirements.

In addition to the above, the Commission did not hesitate to publish the names of violators in the national newspapers and on the Commission's website. This resulted in an increase in the number of individual complaints received by the Commission. For example, during the year the Commission received and investigated seven major complaints of unfair treatment from individual and institutional investors. Investigations were nearing completion as at the end of the year and the Commission promises to take appropriate action against those found culpable in accordance with the law.

Despite the challenges, new opportunities geared towards the development of the capital market also emerged. First, the **Central Securities Depository (CSD)** became finally operational by taking on board government securities. The Commission played an active role during the review of the CSD draft bill. It is our expectation to see the passage of the bill in 2006 to make it legally possible for the CSD to handle, securities traded on the Ghana Stock Exchange when trading is finally automated.

The market also witnessed the promulgation of two important legislations - **The Long-Term Savings Scheme Act, 2004, Act 769** which provided for voluntary private pension schemes, and the **Venture Capital Trust Fund Act, 2004, Act 680**, which created a special fund by government to assist start-up companies. The SEC is required to license fund managers who will be operating under both laws. The significance of these Acts of parliament to the industry is found in the their potential contribution to the development of the institutional investor base of the capital market and to the SME sector as the engine of growth to the Ghanaian economy.

Another positive development during the year, is the support being given by the World Bank and Government of Ghana, to provide technical assistance and funding to the Commission, to undertake far-reaching capital market reforms and institutional capacity building including training and upgrading of information technology infrastructure. This will enhance our off-site



surveillance, supervision and enforcement capacity. This assistance comes under the World Bank Funded Financial Sector Reform (FSR) of the Economic Management Capacity Building (EMCB) programme. Funding of the automation of trading on the Ghana Stock Exchange is also receiving attention under the same programme.

The bond market received a boost as the **Commission took an active part in the national conference on municipal financing** which took place in Accra. The Commission served on the legal committee that was subsequently set up to advise government on the development of the municipal bond market in the country. The Committee's report is expected in early 2006.

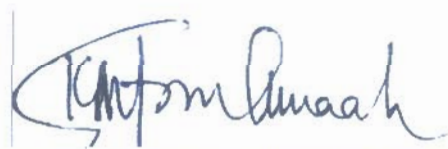
The increasing number of financial institutions in the banking and insurance industries obtaining licenses to operate in various segments of the securities industry, is one development that is bound to lift the industry to yet another level of increased competition and growth.

In broad terms, the Commission's strategic response to these emerging challenges and opportunities during the year and in subsequent years, is to ensure that the Commission provides the right leadership to make the capital market a viable source of investment and financing for local business expansion and better able to meet the financing needs of Ghana's growing economy.

There were changes in leadership at the two top executive positions in the Commission. The tenure of the Director - General, **Dr. Charles Asembri** and his deputy, **Mrs. Eudora Koranteng** expired after six years in office. In order to give full legal effect to the operational activities of the SEC, the Commission then designated **Dr. Nii Kwaku Sowah**, one of the Commission's non-executive members, as Acting Director General effective August 25, 2005. The Commission also took steps to advertise for the two vacant Deputy Directors General positions in accordance with corporate governance procedures and the Law. Substantive appointments to the two vacant executive positions were yet to be made as at the end of this reporting year.

It will be clear from this annual report, the hard work and vision that the Commission and staff has in shore the development of our capital market. The road behind and ahead has not and will not be easy. However, our achievements would not have been possible without the hard work of our dedicated staff, at all levels. I am particularly grateful to them and all those who have contributed in various ways to have brought us this far.

I would especially like to thank my fellow Commissioners for their invaluable contribution to the overall direction of the Commission.



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**Professor G.K.A. Ofosu-Amaah**  
 (Chairman)



## AN OVERVIEW FROM THE ACTING DIRECTOR - GENERAL

### INTRODUCTION

This overview reflects what I intend to do for the period as Acting Director General of the SEC. I took over from Dr. Charles Asembri at a time when the industry is already poised for transformation. I am fortunate to have met an industry which is increasingly attracting seasoned professionals from various disciplines - bankers, accountants, lawyers, financial analysts, marketers, economists, journalists etc. This reservoir of talent is bound to transform the industry and make it become the fulcrum around which the economy will revolve.

There is no intention to re-invent the wheel but to build on and consolidate the gains made by Dr. Charles Asembri, who played an active pioneering role in bringing the capital market up to its present state and laying the administrative foundation of the SEC. However, there is no doubt that there is more work to be done to place the SEC as a regulatory institution and the country's capital market at par with the best in the world.

The pressing strategic concerns of the Commission are eight-fold, namely,

- To increase knowledge and level of awareness about the capital market and its uses among all stakeholders;
- Increase mass local public participation in the capital market;
- To increase the number of listings by local companies on the Ghana Stock Exchange;
- To develop and regulate the unlisted or Over-The Counter (OTC) securities market;
- Increase cooperation between the government and the SEC on policy issues affecting the capital market;
- Improve industry capacity;
- Improve the operating capacity of the SEC for effective development and regulation of the securities market
- Strengthen international co-operation with fellow regulators especially of emerging markets and with the International Organization of Securities Commissions (IOSCO) and other international partners.

### Awareness Creation:

*Due to its late introduction compared to other sectors of the financial market-banking and insurance - it is not surprising to realize that while so many Ghanaians are educated, so few are knowledgeable in the functions, importance and mechanisms of the capital market, particularly among policy makers, the business community, the media and household units. This presents the SEC with an onerous task to undertake well targeted public education campaigns to create the needed awareness among the various stakeholders for their active support and involvement in the market.*

Being an emerging market in which banking and insurance had its beginnings at the close of the nineteenth century, there is the natural tendency for these two industries to dominate the financial system and thinking to the exclusion of the securities industry. The SEC will in the coming years take steps to systematically take the gospel of the capital market to all stakeholders including the cabinet. Even though this systematic education has been ongoing since the time of my predecessor, the Commission intends to intensify its frequency until it is embraced by all stakeholders that it is the key instrument for Ghana's private sector development and wealth creation.



### **Increasing Local Participation on the Market:**

Directly linked to creating public and stakeholder awareness is the mobilisation of mass active local participation in the securities market. This is one of the most essential building blocks for capital market development. Available statistics indicate that out of the total number of issued shares on the GSE, about 75% is held by non-resident foreign investors in mainly multinational companies. Unfortunately, these outstanding shares are not available for active trading on the exchange, thus contributing to liquidity problems on the stock market. The fact that only about 1.5% of the population in the country is involved in the capital market underlines the daunting task ahead to achieve this important strategic objective. However, with good benchmarking, adequate resources and concerted effort from all stakeholders, this gap can be bridged within the shortest possible time. It is our determination to raise the level of participation to at least 15% of the population in the next five years.

Under this policy objective, the commission will solicit the involvement of particularly, market operators to extend their operations to other parts of the country to help grow the market. Market operators would be made to understand that modern business is about collaborating to compete. Remote as it may seem under the present circumstances, the Commission will continue to explore the possibility of introducing and regulating the use of information or internet technology to make buying and selling of securities accessible to a wider section of the Ghanaian public in all the regions of the country. We believe that the automation of trading on the GSE, the introduction of the Central Securities Depository (CSD) and the use of credit card technology may make this proposition possible. This has become necessary because of lack of market access for many Ghanaians in other regions of the country. This is due to the virtual absence of market operators outside the principal city of Accra. The alternative strategy is to encourage Market operators to increase their physical presence or devise clever distribution strategies to reach out to the rest of the country as well.

Another possible option to the above problem is to encourage the banks to use their extensive branch network, electronic linkage, customer base and deep financial resources as leverage to enter into the securities industry to provide extensive service to all sections of the population. Currently, the majority of non-bank securities firms are deficient in size and resources to provide the kind of extensive service needed to get a sizable proportion of the Ghanaian population to participate in the market.

### **Increase Listing of Local Companies on the GSE:**

It is obvious that one of the best ways to increase the supply and float of shares as well as total holdings by Ghanaians is to encourage listings of local companies on the GSE. However, this may be quite difficult in view of strong cultural barriers in relation to management and control among owners of local companies, many of which are either private or family owned. The fear to lose control has been one of the major stumbling blocks in the way of transforming private companies into public ones. The Commission would have to launch an educational and attitudinal change programme to convince such private entrepreneurs of the benefits of listing. To this end, the possibility to enter into partnership with various business associations would be explored – Employers Association of Ghana, Association of Ghana Industries, Private Enterprise Foundation, Ghana National Chamber of Commerce and Industry, Association of Medium and Small scale Industries etc. In this direction, many road shows, workshops and other interactive programmes would soon be embarked upon to educate and urge the business community in the country to use the capital market as their preferred source for raising funds.

### **Development and Regulation of the OTC Securities Market:**

In Ghana, the OTC market predates the establishment of the GSE as a formal stock exchange. Preliminary investigations by the SEC show that there are many local and foreign public companies which have issued shares on the OTC rather than on the exchange. These include very large firms, mostly financial institutions and their number far exceeds those listed on the



GSE. However, their activities are not transparent in real time as price discovery and their current value are either non-existent or not known compare to those on the official exchange. The OTC market has for a long time remained un-regulated.

The SEC will soon embark on a programme to formalise the OTC market by coming out with a set of regulations to guide its development and efficient functioning. This step is meant to provide reliable price discovery mechanism, investor protection and fund raising opportunity to local SME's and other companies for growth. We in the commission believe that since the industrial structure of the country is predominantly SME's, many of which hardly meet the listing and disclosure requirements of the GSE and the SEC as well as the collateral requirements of the banks, the development and effective regulation of the OTC presents one of the most viable opportunities for access to capital, and industrial growth of the country.

### **Enforcement of Securities Industry Law, Rules and Regulations:**

One of the ironies of the history of securities regulation in Ghana is that the SEC is far younger than the market. When SEC formally began operations in 1999 the market had already been running for nine years. This has created a few regulatory problems as some of the market players have acquired some habits which were entrenched before the coming into force of the parent law (PNDCL 333 as amended) and other rules and regulations. It is our determination therefore to make the market appreciate the importance of compliance and also understand that compliance is simply a matter not only of the law but also of ethics. The time of market nurturing is over as it has now been replaced by a period of consolidation and repositioning.

To this end, the SEC is enhancing its surveillance, investigations and enforcement capacity-in personnel, programmes, logistics and technology upgrading-to effectively deliver on its statutory mandate to "ensure an orderly growth and development of an efficient, fair and transparent securities market in which investors and the integrity of the market are protected". However, in doing this, we are mindful of the cost of regulation and do not intend to impose unnecessary burdens on those we regulate. We shall always examine the effectiveness and fairness of our enforcement actions and processes through regular interactions and consultation with market players in the best interest of investors and development of the market.

Most enforcement actions are generally generated by investor complaints and through the normal on-site and off-site inspection activities of the SEC. Our strategies therefore will be to intensify investor education, particularly on minority investor rights and obligations, streamline our complaints procedures available at the SEC, and strengthen the market surveillance and investigations departments. As the chairman has already highlighted in his statement, we will support the establishment of new departments to handle complaints, investigations and enforcements in order to bring the market in line with operating legal and ethical standards.

### **SEC and Government Co-operation:**

Under the Securities Law, one of the statutory mandates of the Commission is to advise government on policy issues affecting the securities industry. Through the instrumentality of the past executive commissioners, a capital market desk has been established at the Ministry of Finance and Economic Planning to provide a link between the Ministry on one hand and the SEC and the capital market on the other. There is the need to build on this to help government devise pro-capital market policies to fulfill its economic agenda of making the "private sector the engine of economic growth".

Policy areas to be influenced through regular dialogue and consultation with government will include, privatization of state owned enterprises through the Ghana Stock Exchange, fiscal policies to achieve and sustain macro-economic stability, policy incentives to induce more listings and investments on the capital market, policies to correct and maintain the right yield curve for the financial market and for the development of the debt market, and the removal of all discriminatory policy measures and instruments that militate against the development of the capital market.



### Improving Operating Capacity of the Industry:

Positioning Ghana's capital market as the best sub-regional destination for investments and raising of capital is key to the Commission's strategic vision. This will require building capacity through training, prescribed examinations and licensing, infrastructure development and adoption of best international practices among others.

Strengthening the balance sheet of securities industry firms is also a vital ingredient in industry capacity building. In this vein the Commission will enforce capital adequacy and liquidity requirements. Firms that fail to meet the financial requirements in the industry will have to either make up or fold up within set time limits.

The market needs innovators who can come up with new products designed to meet the needs of various categories of investors, issuers of securities and that of the national economy. "Financial engineers" are therefore needed in the market. All this calls for industry-wide training and professional development as envisaged under the Commission's plan to introduce examination and licensing requirements to the industry.

### Improving the Operating Capacity of the SEC:

The dynamics and sophistication of the securities market demands that the SEC upgrades its operating capacity and systems so that it can cost-effectively cope with its regulatory functions. The automation of trading on the Ghana Stock Exchange is anticipated to increase volume of trade. This will particularly require the SEC to switch to electronic surveillance with in-built alert systems to monitor trades on the GSE trading platform on real time basis. Steps in this direction will be taken during the second half of 2006.

Effective acquisition, deployment and development of talents and technology is key to our ability to deliver on our statutory mandate. To this end I will endeavour to see to significant investment in our people, systems and processes in order to improve on the sharp end of the Commission's service delivery. On recruitments, emphasis will be placed on hiring young and talented graduates who will be trained, motivated and mentored by experienced hands to deliver first class service to the industry.

### Strengthening International Co-operation

The increasing internationalization of Ghana's securities market and the need to stem the flow of terrorism financing and money laundering has necessitated the need for the Commission to sign up to the IOSCO Multilateral Memorandum of Understanding (MMOU) to enable it share valuable information with other jurisdictions. The Commission is particularly concerned about monitoring the activities of the country's mutual funds and unit trust schemes' fund managers who are increasingly investing funds abroad outside the jurisdiction of Ghana without authorization. It is important that the SEC widens its information gathering and surveillance activities over these funds and their respective foreign custodians and trustees.

In view of this, the Commission will devote time and other resources to clear all legal hurdles and prepare the grounds for the signing up to the IOSCO MMOU. The Legal Department of the Commission has already been assigned the task.



Dr. Nii Kwaku Sowa  
Ag. Director - General



# THE COMMISSION AND CORPORATE GOVERNANCE

## INTRODUCTION

The Securities Industry Law 1993, (PNDCL 333 as amended) prescribes the membership of the commission as an eleven- member board which consists of a Non-Executive Chairman and three Executive Members (the Director - General and two Deputy Director - Generals).

It also includes three Non-Executive Members, not below the rank of a director, representing such key stakeholder institutions as the Registrar General's Department, the Bank of Ghana and the Ministry of Finance and Economic Planning, and four other Non-Executive Members, including either a Judge of the Superior Court or a Lawyer, qualified to be appointed a Judge of the Superior Court.

During the reporting year, 2005, Members of the Commission remained committed to achieving high standards of corporate governance in line with the Commission's own "Code or Guidelines on Best Practices on Corporate Governance" issued to the market in 2002. The SEC guidelines essentially, is one of the few documented reference materials in Ghana that sets out the principles and best practices for Ghanaian companies to follow in an effort to raise standards of corporate governance amongst firms in the securities industry and in the country as a whole.

In the year under review, members of the board otherwise known as the "Commissioners" applied all the relevant provisions in the guidelines to its activities consistent with the status of the SEC as the apex regulatory body of the securities industry. Specific areas to which the Commission subjected itself included membership of the Commission, attendance and contribution of members, Committee system, oversight responsibilities, accountability and audit system and consultative process with stakeholders.



## MEMBERSHIP OF THE COMMISSION

As prescribed by Law, Commissioners of the SEC hold office for three years and are appointed by the President of the Republic of Ghana acting in consultation with the Council of State. They are however eligible for re-appointment at the end of their three-year term.

In June 2005, the appointments of the two Executive Members of the Commission, Dr. Charles Asembri (Director - General) and Mrs. Eudora Koranteng (Deputy Director - General) expired after serving for two consecutive terms or six years in office. In view of these vacant positions and in order to ensure continuity and non- interruption in the discharge of the statutory mandate and operational activities of the SEC, the Commissioners temporarily appointed one of their Non- Executive Members, Dr. Nii Kwaku Sowa as the Acting Director - General. This was done in accordance with directives from the Ministry of Finance and Economic Planning. Recruitment for a substantive Director General and deputies was still in progress as at the close of the reporting year.

The Commissioners met every other month and in emergency situations as the occasion demanded to consider strategic, regulatory, policy, organizational and other pressing issues affecting the market or the organization. The Secretary to the Commission always ensured that Commissioners had adequate notice and requisite information for meetings.



TABLE I

Members of the Commission are:

COMMISSIONERS	MEMBERSHIP STATUS	CURRENT STATUS
Prof. G.K.A Ofofu-Amaah	Chairman	Chairman
Dr. Charles Asembri	Director- General	Expired
Mrs. Eudora Koranteng	Deputy Director- General	Expired
Dr. Nii Kwaku Sowa	Member	Acting Director- General
Mrs. Amma Gaisie	Member. (Rep. Of Registrar General's Dept.)	Member
Mr. Francis Badasu	Member. (Rep. Of Bank of Ghana)	Member
Mr. K.B. Oku- Afari	Member. (Rep. Of Ministry of Finance & Econ. Plng.)	Member
MS. Elsie Addo	Member	Member
Ms. Dorothy Gyamfi	Member	Member
Mr. P.K. Buabeng	Member	Member

### COMMISSION MEETINGS & CONTRIBUTION OF MEMBERS

During the year ended December 31, 2005, the Commission met six times to consider various policy and strategic issues affecting the industry and the organization. As already mentioned, the agenda and full set of papers for consideration were distributed in good time to ensure that members had sufficient time to study and understand the issues contained in them well in advance, for more fruitful discussions and informed decision-making. For this reason members of the Commission participated fully and actively in all deliberations.

There were only a few incidents of absenteeism, which were granted, with the prior permission of the chairman. These had to do mainly with members representing key stakeholder public institutions who had to travel outside the country on behalf of their mother institutions on official assignments. On the whole, attendance and contributions of members during board meetings could be graded as excellent. In order to avoid conflicts of interest, given the wide range of issues under the purview of the SEC, robust arrangements were put in place to handle any such conflicts of interest that might arise during the consideration of board business.

Among the major issues considered and reviewed during the reporting year were:

- Resourcing and capacity building of the Secretariat of the Commission
- Development of a five-year strategic plan for the SEC
- Setting up of Internal Audit, Enforcement and Investigations Department as new departments in the SEC
- The issue of CDH and return of assets to investors as highlighted in the 2004 annual report
- Unclaimed/Unpaid dividends by listed companies
- The Financial Sector Strategic Plan (FINSSP) and its implementation
- Replacements for the three vacant Executive positions
- Investigations, Surveillance and Inspection reports on licensed market operators
- Capital market reports including the stock market and collective investment schemes
- Internal audit reports
- Establishment of a Procurement Committee or an Entity Tender Board in accordance with the Procurement Law

Major decisions taken on all of the above and many others were referred to the secretariat of the Commission through the Acting Director - General for implementation. A feed-back on progress of execution was given to the Members through the Acting Director - General or to the whole board at board meetings.



## THE COMMITTEE SYSTEM

Apart from the collective decisions taken at its full meetings, the bulk of the commission's work was discharged at various Committee levels of the four standing Committees. The Committee system is meant to complement and expedite the work of the Commission as well as to enable members gather enough information for better strategic guidance, detailed evaluation of issues and informed decision making. All members of the Commission are required to be appointed by the Commission to serve on at least one Committee where members' specialized knowledge, experience and expertise can be beneficially applied. The various Committees of the Commission have the power to take final and binding decisions on behalf of the full Commission and report on any such decision to the Commission at its full meetings.

The quorum for Committee meetings is three and the terms of reference for each Committee are spelt out by the Commission. The membership of each Committee consists of three Non-Executive Commissioners. The Director -General and/or a Deputy Director - General is/are required being present at each of the Committee meetings. The Chairman of the Commission serves on two Committees, namely, the Approvals and Licensing Committee and the Administrative Hearings Committee.

## FINANCE & AUDIT COMMITTEE

The key functions of the Finance and Audit Committee are to advise the Board or the Commission on the quality of financial management of the SEC, and the adequacy of its internal control systems. It provides this advice through the review and oversight responsibilities of:

- The preparation of annual accounts for approval of the Board;
- The adequacy of the Commission's systems of internal financial, risk management, operational and compliance control;
- The annual operating and financial review and statements from management and the external auditors on the Commission's compliance with applicable international accounting standards and principles of good corporate governance.
- Approvals of substantial outflow of funds including major purchases of logistics and other expenditure items.
- Review and approval of annual budgets of the Commission.

The Committee met four times during the year and made regular reports to the full Commission at each of its scheduled meetings. Dr. Nii Kwaku Sowa handed over the chairmanship of the Committee in August to Mr. P.K. Buabeng when he was appointed the Acting Director - General.

At each meeting of the Committee, the Director - General and/or his Deputy and the Manager of Accounts and Finance, acting as secretary, were invited to assist members in their deliberations. Other meetings were also held with the external auditor.

During the year under review, the Committee reviewed the draft statutory financial statements of the Commission. It also reviewed management accounts, financial performance and sought explanations for major variances. It monitored the usage and also considered applications for the use of internally Generated Funds (IGF).

In addition to this, it reviewed existing internal control systems in place and challenged the executives on the adequacy of the mechanism in place. It recommended for the consideration of the board, the appointment of an internal auditor to fulfill not only statutory requirements under the newly promulgated Procurement Law, but also the content of the market guidance note issued to the market in 2004 to help improve the internal audit functions of listed companies and market operators, in line with the principles outlined in the Commission's 'Corporate Governance Guidelines on Best Practices'.



During the year, the Committee received reports on the interim and final audits from the External Auditor for 2004/2005 financial years, and sought assurances from the executive that agreed recommendations would be implemented.

The acquisition of the Commission's own office accommodation has been a primary concern and priority of this Committee. In view of this, it decided to task the executive members of the Commission to endeavour to put aside a substantial percentage of the internally generated funds towards the acquisition of land as a first step to the development of the Commission's own office complex in the near future.

## APPROVALS & LICENSING COMMITTEE

The terms of reference of the Approvals and Licensing Committee is mainly to implementation of the Commission's mandate of reviewing and giving approvals to applications or offer documents such as prospectuses and trust deeds dealing with invitations to the public by corporate entities to raise capital. It is also responsible for giving approvals to takeovers and mergers, and changes in the procedural rules of stock and other exchanges. The Committee is again in charge of approving initial licenses and renewal of licenses of all market operators in the industry. In reviewing and granting approvals, the members of the Committee extensively apply not only financial principles but also legal principles as enshrined in commercial and related laws as well as the provisions in the securities industry law, rules and regulations, to ensure that the outcome of their decisions are legal, fair, sound and in the best interest of the market. During 2005, the Committee approved the offer documents of the following entities:

- **Standard Chartered Bank Ghana Limited (SCB)** – A leading multinational universal bank in Ghana offered to issue non-cumulative preference shares to raise ₵91.5 billion.
- **Golden Web Limited (GWL)** – An agro-processing company based in Kumasi offered 17,000,000 shares of no par value representing 67% of post-offer issued shares to raise ₵9.35 billion. On this initial public offer, the Committee met again to consider and approve a request by the lead manager to extend the offer period for another month.
- **Blue Mont Trading Ghana Limited (BMT)** – Also an agro-processing and trading company offered to raise an amount of ₵22.5 billion. However, the Committee was compelled to cancel the company's initial public offer for its failure to provide the Commission with supplementary information as directed. The information requested included an up-to-date audited financial statements of the parent company, aspects on the status of the company in relation to its overseas' parent company and the status of its directors among others. Consequently, the Committee directed the lead manager to ensure the refund of funds to subscribers of the offer.
- **Takeover of Mobil Oil by Total Outre-Mer** – The Committee considered and approved the tender offer document submitted by Total Outre-Mer SA to purchase up to 945,000 of the remaining ordinary shares of Mobil Oil Ghana Limited. This constituted a mandatory takeover offer from Total Outre-Mer SA to shareholders of Mobil Oil Ghana Limited (MOGL) after the former had earlier acquired 60% of the issued shares of the latter on the floor of the Ghana Stock Exchange.

The Approvals and Licensing Committee also gave approval for the issuance of four (4) new Investment Advisory licenses, two (2) Broker-Dealers licenses and one (1) Mutual Fund license as follows:

### Investment Advisory Licenses

1. New Generation Investment Services Limited
2. JCS Investment Limited
3. Fidelity Asset Management Limited
4. SIC Financial Services Limited



## Broker – Dealer Licenses

1. Prudential Securities Limited
2. HFC Brokerage Services Limited

## Mutual Fund License

### I. Anidaso Mutual Fund Limited

During the reporting year, the Committee renewed the licenses of forty-one (41) of the existing market operators after satisfying itself with their fulfillment of the minimum financial, prudential and other compliance requirements under the Securities Industry Law, rules and regulations:

TABLE 2

TYPES OF LICENSE RENEWED	NUMBER OF LICENSES RENEWED/VALIDATED
BROKER-DEALERS LICENSE ONLY	9
BROKER-DEALERS & INVESTMENT ADVISERS LICENSE	6
INVESTMENT ADVISERS LICENSE ONLY	15
MUTUAL FUNDS' LICENSE	5
UNIT TRUSTS' LICENSE	4
CUSTODIANS' LICENSE	1
TRUSTEES' LICENSE	1
TOTAL	41

The standing Committee in the course of 2005 also suspended the licenses of three brokerage firms for non-submission of their 2004 Annual reports in contravention of SEC Regulations 1728.

Their licenses were later restored after they had fully complied with the Regulations. However subsequent events led to the withdrawal of the license of Sterling Securities Limited for its failure to meet the minimum financial requirements of the industry.

As part of its terms of reference, the Committee also has the mandate to review and give directives to the legal department of the Commission to initiate legal action against any market operator for serious infractions of the Securities Industry Law, Rules and Regulations. It can also recommend to the Director General to send specific cases to the Administrative Hearings Committee of the Commission for administrative hearings. In view of this, the Approvals and Licensing Committee directed the Legal department of the Commission to commence civil action against Golden Development Holding Company Limited (GDHC), its directors and Databank, as lead managers of the company's unsuccessful initial public offer, to refund all outstanding subscriptions to investors. This was after a series of directives to the defendants were not satisfactorily complied with.

The Committee in the reporting year also considered and gave directives with respect to the following subject matters;

- **Code on Mergers and Acquisitions:-** In view of the inadequacies inherent in the existing draft SEC code on mergers and takeovers in an ever increasing and complex global economy of business combinations as well as the recent increase in such business combinations in Ghana, the Committee gave its approval to engage a consultant to review the draft SEC code and manual on mergers and takeovers. This review is to be done as part of the Financial Sector Strategic Implementation Plan (FINSSIP).



- **Review of the Central Securities Depository (CSD) Draft Bill:-** The Committee discussed and reviewed the CSD Draft Bill which is to be laid before parliament in 2006 and directed the legal department to submit a detailed document for the consideration of the National CSD Implementation Committee. The document has now been forwarded to Cabinet for consideration.
- **Establishment of a Commodities Exchange:-** The Committee considered a proposal for the establishment of a commodities exchange in Ghana and informed the Minister of Finance and Economic Planning of the need to put in place a policy and regulatory framework before considering the licensing and regulation of a commodities exchange in Ghana. In the interim, the Committee directed the secretariat to form a technical Committee to prepare a concept paper on commodities exchange and warehouse clearing receipts system. The establishment of a commodities exchange will receive further consideration under the FINSSIP programme.
- **Regulation of Custodians, Registrars etc.:-** During the reporting year, the Committee also discussed the issue of existing regulatory gaps in the Law. It identified the absence of regulations for custodians, trustees, registrars, issuing houses, receiving agents, receiving banks etc., and requested the secretariat to take urgent steps to design a complete set of regulations for all kinds of market operators or dealers as specified in the Securities Industry Law.
- **Professional Examinations and Licensing of Market Operators:-** Apart from issuing operating licenses to member firms in the industry, members of the Committee also considered the possibility of instituting a professional securities industry examining body which will organize professional examinations for all securities industry players. Passing its prescribed examinations will then be conditional to obtaining a license to work in the industry. The aim is to build capacity and increase the professional human resource base of the industry as well as to bring the Securities industry in line with its counterparts in the financial industry - banking and insurance - Members of the Committee advised that before this is implemented, consultation with industry players should be held to arrive at an acceptable consensus. This idea was first considered at the Research and Market Development Committee, one of the standing Committees of the Commission.

## RESEARCH & MARKET DEVELOPMENT COMMITTEE

The Committee's terms of reference is mainly to oversee the Commission's function of conducting market research and providing strategic direction towards the creation of an atmosphere for the orderly growth and development of a fair and transparent securities market. In this regard, the Committee is responsible for;

- Reviewing all research proposals and findings on various aspects affecting the securities market
- Examining recommendations for appropriate action by the Commission
- Examining proposals for strengthening the capacity of the Commission to keep pace with developments in the securities industry. This implies an oversight responsibility for all strategic plans of the Commission
- Overseeing the Commission's collaborative activities with other regulators in Ghana and abroad.
- Overseeing all aspects of market development strategies of the Commission. This includes strategies towards the development and regulation of other capital market segments, public, investor and other stakeholder education to improve market liquidity, and that, which enhances the image of the Commission
- Overseeing the formulation and implementation of the Commission's Information Technology (IT) policy and that of the entire securities market
- Guiding the Commission to improve on its input to government policies that impact on the industry.

The Committee met once during the reporting year to deliberate on wide ranging issues to improve market performance and that of the organization. Among the major issues discussed were

- **A new strategic plan for the Commission:-** The Committee observed that since the inception of the Securities and Exchange Commission in 1999, the securities industry had undergone a number of changes that called for a rethink of strategies to cope with the attendant regulatory



challenges. For-instance, there has been a phenomenal increase in the number of market operators and market segments to regulate. The implementation of the Financial Sector Strategic Plan (FINSSP), the envisaged automation of the Ghana Stock Exchange' trading platform, the passage of Ghana's Long Term Savings Act which provides for private pensions and the Venture Capital Trust Fund Act, placed added supervisory responsibilities on the Commission – All these external challenges called for a change in strategy and operational conduct of the Commission. The existing functional directorate or structure was also called into question.

In view of the above, the Committee requested that consultants be invited to submit technical and financial proposals to the Commission towards an eventual design of a new strategic plan to provide the SEC with a better organizational fit with its regulatory environment and challenges. It is expected that since strategy determines structure, the final outcome of the strategic plan will change the existing organogram of the organization.

By the end of 2005 four proposals had been received and were submitted to the committee for evaluation by the Committee and onward referral to the entity tender board for approval next year, in accordance with the new National Procurement Law.

- **Establishment of Securities Industry Resource & Training Centre:-** The idea to have a capital market research, training and resource center was mooted as far back as 2003. The proposed center is meant to build capacity for the capital market, particularly, in the area of research, dissemination of information on capital market issues and above all provide professional training and continuous professional development for industry operators. The center is also envisaged to organize and be the major provider of specialized training for directors and in such topical areas as corporate governance and investor rights. The center will be under the direct control of the Commission but will be entrusted to a board of trustees who will be responsible for policy direction, curriculum development, examination rules, examinations and certification of students, among other things.

It is envisaged that with the full implementation of the above proposals, all those working in the industry would have to successfully undergo a specialized training and examinations programme prescribed by the Commission before they would be granted a license to operate in the industry. This will help induce a high sense of professional conduct among market operators, improve compliance standards and bring our market at par with best international standards and practices.

- **Collaboration with tertiary institutions as part of market development efforts:-** Despite the fact that Ghana has so many educated people, so few are literate in the mechanisms, benefits and functions of the capital market as a tool for national development, economic growth and wealth creation. This, together with the fact that the Research and Market Development Department is not adequately staffed, compelled the Committee to direct the secretariat to seek collaboration with tertiary educational institutions, particularly, relevant departments at the University of Ghana on research activities of the Commission. It is envisaged that by doing so, the SEC would be able to get university students and the lecturers to develop keen interest in the securities industry, which could later be translated into their seeking future employment in the industry and/ or making the teaching of securities and securities industry regulation part of the university curriculum.

In this regard, the economics department, the business school and the Law faculty of the University were targeted for the collaboration. If successful, the idea will be extended to other institutions in the country and gradually extended to all educational institutions. The Committee also considered the setting up of a scholarship scheme in the universities to create more awareness in securities in our educational institutions. This will complement the ongoing seminars and lectures delivered by the staff of the SEC on the university campuses, particularly at the Universities of Ghana and Cape Coast.

- **Formation of Investment Clubs:-** The Committee also considered the formulation of a strategy to encourage the formation and sustenance of investment clubs in schools, particularly, in senior and junior secondary schools in the country to encourage students to cultivate the habit of savings and investment in their formative years.



## ADMINISTRATION & HUMAN RESOURCE MANAGEMENT COMMITTEE

The terms of reference of the Administrative & Human Resource Management Committee include oversight responsibility for administration and human resource management policy for the SEC. In this regard, the Committee oversees the formulation and implementation of such policies as;

- Recruitment policies
- Training and development policies
- Remuneration and Compensation policies
- Succession and manpower planning
- Promotions and policies related to staff motivation
- Performance management system
- General administrative procedures of the Commission

The Commission strongly believes in applying the three fundamental human resource management principles of attraction, reward, management and development of professional talents as key elements of capacity building within the Commission.

During the year under review, the Committee met once but could not fully exhaust the three vital interrelated and other policies submitted to it for approval by the Administration and the Human Resource Department. This includes review of salary structure, conditions of service and a revised training and development policy. The Committee referred these policy issues back to the secretariat for more detailed work to be done on them before formal approval is given. As at the end of 2005, the secretariat had finished work on the policies and was ready to table them before the Committee at the beginning of 2006.

## ADMINISTRATIVE HEARINGS COMMITTEE

The Administrative Hearings Committee is a standing Committee of the Commission established by the Securities Industry (Amendment) Act, 2000, Act 590 to among other things examine complaints, disputes and violations related to or arising out of any matter related to the securities industry or the Law, rules and regulations of the industry. The Committee is thus, a quasi-judicial body with the powers to impose administrative sanctions.

Under the provisions of the Law, any member of the public is obliged to forward complaints relating to the market to the Commission. Upon receipt of such complaints, the Director General is mandated under the Law to either settle the matter or refer it together with his findings to the Committee for its determination. The Committee will however, not entertain any complaint(s) which is the subject matter of a suit before Court of Law, unless the parties involved so agree. Any person appearing before the Committee may do so either in person or be represented by a lawyer or an expert of his/her choice. In addition, any matter before the Committee has to be determined within thirty (30) days from the date that the matter or complaint is referred to the Committee.

In 2005, the Committee did not meet at all. This was because no complaint requiring attention of the Committee was brought before it. Moreover, one of the principal reasons for the seeming inactivity of this Committee was the absence of appropriate structures within the Commission to feed it with cases over which to adjudicate – The Commission did not have a dedicated department for Complaints and Investigations as pertains in other jurisdictions.

In this vein, the Commission has decided that a Complaints and Investigations Department be established at the beginning of 2006, as a new department of the SEC. It will be staffed with lawyers, accountants, auditors, professional investigators and other professionals to strengthen the enforcement capacity of the SEC. It is envisaged that this new arrangement would make the Administrative Hearings Committee more active in subsequent years.



## CONCLUSION

On the whole, the Commission or the board of the SEC has been guided by its corporate governance guidelines in its deliberations to provide strategic direction to the organization as the apex regulator of the securities industry. Given the nature of its statutory objectives, and the increasing complexity and breath of the industry, it has optimally used the Committee system to bring on board a depth of experience, expertise and views to guide its deliberations on the range of issues affecting the strategic direction of the SEC and the capital market. The board is satisfied that it has maintained its independence of management and is free from any business or other relationship, which could materially interfere with the exercise of members independent judgment, notwithstanding the regulatory and market development connection between it and the market.

The board also believes that, to the best of its knowledge, it has been amply provided with accurate, timely and clear information on the activities of the SEC during the reporting year. It has also used and overseen the efficient use of resources in the discharge of its statutory mandate.



## OPERATIONAL REVIEW

The Securities and Exchange Commission operates on a directorate structure served by functional departments, working through at least one of the standing Committees of the Commission through the Director General and two deputies. The functional directorates are four in number, namely, Legal & Enforcement Directorate, Surveillance Directorate, Corporate Finance & Investment Management Directorate, and Finance & Administration Directorate.

While the various departments report to their respective directorates, the Research & Market Development, Information Technology and Internal Audit Departments as well as the Office of the Board Secretary provides central support services to the entire Commission. As at the end of 2005, there were ten (10) departments within the Commission which are as follows:

- Licensing Department
- Inspections Department
- Corporate Finance & Investment Management Department
- Enforcement & Investigations Department (recent addition)
- Legal Department
- Administration / Human Resources Department
- Finance & Accounting Department
- Information Technology (IT) Department
- Research & Market Development Department
- Internal Audit Department (recent addition)
- The office of the Board Secretary

### LICENSING DEPARTMENT

This department is generally responsible for the licensing and monitoring functions of the Commission. Arising out of these general responsibilities are the following key functions of the department:

- Processing the licenses of dealers, investment advisers and their representatives
- Formulating and implementing programs which will facilitate the supervision and monitoring of the financial and systemic stability and integrity of the stock exchange, dealers and other market intermediaries the Commission maybe called upon to regulate
- Formulating and designing routine reports and returns requiring to be filed by these entities
- The preparation of periodic reports on the financial and systemic stability of the above entities for submission to the management of the Commission
- Monitoring the dealings in listed securities that take place on the floor of the stock exchange

### Activities in 2005

During the year under review, the department processed new license applications and renewals.

The department processed and issued six new (initial) licenses to the following firms to operate in various capacities in the securities market;

TABLE 3

Market Operator	Type of License Issued	Date of Issue
J.C.S Investment Services Ltd.	Investment Adviser	February 10, 2005
New Generation Investment Services Ltd.	Investment Adviser	February 10, 2005
Prudential Securities Ltd.	Broker-Dealer	April 28, 2005
HFC Brokerage Services Ltd.	Broker-Dealer	March 14, 2005
Fidelity Asset Management Ltd.	Investment Adviser	March 14, 2005
SIC Financial Services Ltd.	Investment Adviser	October 25, 2005



The department also processed, renewed and issued a total of 151 licenses to the following market operators after receiving approval from the Approvals and Licensing Committee of the Commission:

TABLE 4

TYPES OF LICENSE RENEWED	NUMBER OF LICENSES RENEWED/VALIDATED
Broker-Dealers License only	9
Broker-Dealers & Investment Advisers License	6
Investment Advisers License only	15
Market Operators' Representatives License	121
<b>TOTAL</b>	<b>151</b>

## INSPECTIONS DEPARTMENT

This department is generally responsible for the surveillance of the operations of the market operators. The department also ensures compliance with the securities laws, rules, regulations and procedures of all licensed market operators. Arising out of these general responsibilities are the following key functions of the department:

- Formulating and implementing programmes, which facilitate the supervision, and monitoring of the financial and systemic stability and integrity of the stock exchange, dealers and other market intermediaries the Commission may be called upon to regulate.
- Implementing a programme for the routine and non-routine inspections of market operators with the aim of fostering compliance with and detecting violations of the securities laws and gathering information of developments in the market
- Undertaking expeditious and informal correction of less serious compliance anomalies through the mechanism of identifying the problem and bringing it to the notice of the Commission and the regulated market operator and monitoring rectification until compliance is achieved.
- Handling investor complaints against market operators
- Referring serious violations to the investigations department of Legal and Enforcement Directorate
- Overseeing the operations of the stock exchange and the central securities depository (CSD)

## Activities in 2005

During the year under review, the department conducted various on-site and off-site inspections and recommended enforcement actions against a number of market operators for various infractions of the securities industry law, rules and regulations.

### Inspections

The department completed routine on-site inspections of six major securities firms out of its scheduled inspection programme for the year. One of the firms was the biggest mutual fund in Ghana, Epack, a subsidiary of Databank. Two additional ones were still in progress before the year ended. During the year, the department also conducted off-site inspections on six securities firms with one remaining outstanding.



TABLE 5

Details of the inspections are posted below:

### On-site Inspections

Securities Firm	Nature of Business	Status of Inspection
First Atlantic Brokers Ltd.	Broker-Dealer	Completed
Ecobank Stockbrokers Ltd.	Broker-Dealer	Completed
Gold Coast Securities Ltd.	Broker-Dealer	Routine Inspections Ongoing
NTHC Securities Ltd.	Broker-Dealer	Completed
Merban Stockbrokers Ltd.	Broker-Dealer	Completed
Worldwide Securities Ltd.	Broker-Dealer	Routine Inspections Ongoing
Epac	Mutual Fund	Completed
Barclays Bank, Ghana, Ltd.	Custodian of Epac	Completed

TABLE 6

### Off- Site Inspections

First Atlantic Asset Management Ltd.	Investment Adviser	Completed
Ecobank Investment Managers Ltd.	Investment Adviser	Completed
NTHC Ltd.	Investment Adviser	Completed
Merban Investments Services Ltd.	Investment Adviser	Completed
Boulders Advisors Ltd.	Investment Adviser	Completed
Worldwide Securities Ltd.	Investment Adviser	Outstanding

### Complaints and Investigations

The Market Surveillance Department received and investigated six (6) major complaints filed against four (4) securities companies in the country, four (4) of which have been concluded with two (2) still pending. It is expected that investigations into the remaining complaints would be concluded early next year (2006)

### Enforcement Actions/Compliance

During the year under review, the department recommended a total of twenty (20) enforcement actions against eight (8) firms in the industry for various breaches of securities regulations. These ranged from operating without a license, non-submission of returns to mishandling of clients' assets.

The sanctions included suspension of licenses, revocation of licenses, fines and reprimands. Two of the firms had their licenses revoked, four were temporarily suspended, one reprimanded and twelve were ordered to pay penalties after which they were cautioned to comply with the Security Laws, Rules and Regulations. Those firms that had their licenses initially suspended and later complied with the rules and regulations had them restored by the Commission. However, on the whole, the market was generally compliant during the reporting year.



in Mobil Oil Ghana to over 25% of the company's issued shares. This triggered a mandatory takeover under the GSE rules on takeovers and mergers. The rules required Total Outre Mer to make an offer to the remaining shareholders of Mobil Oil Ghana. The acquiror gave an undertaking not to exceed 75% shareholding in Mobil Oil Ghana and to further keep Mobil Oil Ghana listed on the GSE.

#### • **Standard Chartered Bank Medium Term Note Offer**

The department also began the review of the medium term note offer document submitted by Standard Chartered Bank Ghana Ltd during the last quarter of 2005. The review was completed and prepared for submission to the Approvals and Licensing Committee for its approval in early January 2006. The note sought to raise a total of €750 billion through private placement and from the general public. The amount was to be raised in series.

## **Inspections**

Six major inspections were carried out by the department in the course of the year with a view to ascertaining the compliance status of the operations of listed companies as well as collective investment scheme operators. As part of this exercise, the department performed the checks on the under-listed to ascertain how funds raised through public subscriptions were being utilized.

- a. CAL Bank Limited - Raised €63.0 billion in 2004
- b. Starwin Products Limited – Raised €18.0 billion in 2004
- c. Clydestone Ghana Limited – Raised €6.6 billion in 2004
- d. Golden Web Limited – Raised €5.42 billion in 2005
- e. Anidaso Mutual Fund – Based in Kumasi, the sponsors of the fund had an initial total subscription of €1.42 billion to start operating the first mutual fund to be set up outside Accra, the capital.
- f. Inspection of Epack Investment Fund and the operations of the fund's custodian, Barclays Bank of Ghana Limited. – Epack is one of the oldest mutual funds established in 1996 and licensed by the SEC in 2001 with the coming into force of the SEC Mutual Funds and Unit Trusts Regulations (1695, Act 2001). This was the first inspection by a combined team from the Corporate Finance and Investment Management, Legal and Enforcement and Market Surveillance Departments of the Commission. The inspection was among others, to examine the systemic and financial stability of the manager and custodian of the mutual fund.

## **Quarterly Reports**

In compliance with statutory reporting requirements, the department also received, reviewed and analyzed quarterly and annual financial reports from listed companies. The department reports that compliance was generally satisfactory with only a few companies defaulting. Various fines were imposed on defaulting listed companies in accordance with the law to serve as a deterrent.

## **Other Activities**

The department attended and issued reports on thirteen Annual General Meetings (AGM's) of listed companies. The primary objective of these visits was to ensure that good corporate governance practices and standards were adhered to at all times. The department made several observations including that on the level of shareholder participation and activism, treatment of minority investors, and quality of advance information made available to shareholders prior to the annual general meetings. The following AGM's were attended by staff of the department assisted by the Research and Market Development Department, which also attended to make observations to inform it of subsequent investor education programmes.



TABLE 7

LISTED COMPANY	FINANCIAL YEAR	DATE OF AGM
Accra Brewery Limited	31st March	July 21, 2005
Aluworks Ghana Limited	31st December	May 5, 2005
British American Tobacco	31st December	April 27, 2005
Benso Oil Palm Plantation	31st December	May 17, 2005
Cal Bank Limited	31st December	March 18, 2005
Clydestone Ghana Limited	31st December	May 10, 2005
Enterprise Insurance Co.	31st December	April 22, 2005
Ghana Commercial Bank	31st December	March 29, 2005
HFC Bank Limited	31st December	March 30, 2005
Produce Buying Company	30th September	February 18, 2005
SG-SSB Bank Limited	31st December	March 30, 2005
Trust Bank Ltd. Gambia	31st December	May 5, 2005
Unilever Ghana Limited	31st December	April 21, 2005

## INFORMATION TECHNOLOGY (IT) DEPARTMENT

### INTRODUCTION:

Within the programme year 2005, the SEC expanded in terms of staff numbers. This necessitated that the Commission focused on implementing organizational changes to best utilize these human resources in the interests of investors and the capital market. Going forward, it required the willingness of the SEC to think anew about how the SEC does business, utilizes technology, and keeps abreast with the dramatic pace of change in the securities markets it regulates.

Global competition and the information economy present constantly evolving challenges and opportunities for effective regulation and enforcement. The Information Technology (IT) department was therefore kept busy during this reporting year, by ensuring that the use of IT was strategically positioned to assist in the expansion of the Commission. This meant that the activities undertaken by all departments received support from the IT department to achieve their functional objective in line with the vision of the Commission.

In 2005, several system developments and updates were undertaken among which include the following:

#### I. Internet Services and Web Based Operations

The IT department continued to support the Commission in the areas of research, information sharing and communication by providing a broadband Internet connectivity to enhance the work of members of staff. The Commission continued to use its Internet Service Provider (ISP) providing full Internet connectivity for the staff. The bandwidth provided was 64kps-shared bandwidth with the TCP/IP protocol and the firewalls provided by the ISP together with Domain Name Servers (DNS) for name resolutions.

The corporate domain name secghana.org, which had already been registered with facilities for email accounts, was maintained. The SEC website designed and hosted under the domain name secghana.org continued to provide useful information and education on the activities of the Commission, its publications, Laws and Regulations governing the securities industry in Ghana, frequently asked questions, contact information and a news page which gave users information



about the latest developments in the market. The SEC website was rigorously monitored and updated with current information and developments.

The website of the Commission within the programme year was also updated with trading results from the Ghana Stock Exchange (GSE) together with some financials of licensed operators in the industry. Complaints and enquiries received through the website were forwarded to the appropriate officers for action to be taken.

## **2. IT Administrative systems**

Administrative systems initiatives were undertaken by the IT department to improve the technology used for administrative functions.

The department carried out a review of processes pertaining to IT development and operations in order to improve existing guidelines and procedures for application development, user support, systems administration and IT operations to be in line with best practices. It continuously monitored the server and network devices in terms of performance, physical condition and security.

In the year 2005, the department established an efficient management of systems security patch. The framework provided for proper mechanisms to identify, test and deploy patches within the Commission's computing environment. User education programmes with the objective of promoting the effective use of IT for improved staff productivity and efficiency were also pursued.

## **3. Expansion of LAN**

The local area network (LAN) of the SEC was expanded to accommodate 12 new staff who had joined the Commission in the latter part of the year. Expansion activities ensured that the new staff were hooked on to the SEC server in order to benefit from the shared facilities on the SEC network.

## **4. Purchase of IT equipment**

The IT department within the year procured some IT equipment in line with the Public Procurement Act, 2003 (Act 663) as a means of expansion of its network. Various computer accessories were also purchased to support the Commission's dependence on IT.

## **5. IT Policy**

The department also developed for the approval of the Commission, an IT policy in line with the National Information Communications Technology (ICT) Policy which spells out users' rights and responsibilities, IT assets management, management's responsibilities and the IT department's responsibilities amongst other things. Procedures for application development, user support, systems administration and IT operations are discussed in this policy document. The IT policy is yet to be adopted and used as a guideline to support future deployment and expansion of IT in the Commission.

## **6. Troubleshooting and IT Technical Assistance**

The department also provided technical assistance to staff in the use of computers and other IT equipment through training programmes and support given to staff in the normal execution of their duties. The department within the programme year also handled repair and troubleshooting of some computers and other IT equipment.



## 7. Upgrading and maintenance of software

There was an upgrade of some software used by the Commission within the programme year 2005. This included the upgrade of the proxy server software (wingate), the mail transport agent (mdaemon) and Microsoft software used by the Commission.

## 8. International relations

The IT department worked closely with IOSCO (International Organization of Securities Commissions) and benefited from a training programme organized by IOSCO on Multilateral Memorandum of Understanding (MMOU) for information sharing. Other relations with IOSCO enabled the IT department to monitor the Commission's presence on the IOSCO website and keep members of staff updated as to new developments on the 'members site' of IOSCO. This was done in collaboration with the Research and Market Development Department.

## Outstanding Projects:

In view of the rapid pace of change in the securities industry and the envisaged organizational changes within the Commission, the IT Department has outlined series of actions under the Financial Sector Strategic Plan (FINSSP) to upgrade the level of the Commission's information technology in order to enhance its surveillance and supervisory role. This entails mainly

- The introduction of an enhanced Wide Area Network (WAN) technology to facilitate a direct and real time linkage between the Commission's IT platform to that of the Ghana Stock Exchange (GSE), the Central Securities Depository (CSD), the envisaged OTC trading platform and other market participants through the use of cutting edge solutions to support all activities of the Commission and the Capital market at large.
- Introduction of electronic surveillance alert and reporting systems.
- Designing of a new corporate portal to facilitate effective knowledge sharing among staff. The portal would be the main platform for capturing, storing and exchanging information and knowledge.
- The introduction and implementation of effective IT security through the use of intrusion detection and prevention systems together with the use of anti-spam solutions as a means of protecting the Commission from the loss of network and employee productivity due to Spam and network attacks.

## RESEARCH & MARKET DEVELOPMENT DEPARTMENT

This department is regarded as the strategic hub of the Commission and therefore plays a central role in the formulation of policies towards the overall development of the securities market and the Commission's regulatory oversight of the market. The department's main role is to advise the Commission and its staff on all policy issues associated with the Commission's regulatory and capital market development activities. It combines the functions of research, market and strategic development, training and public education, in the discharge of its responsibilities. The major functions of the department among others include the following:

- Giving advice on economic and other environmental issues germane to the Commission's regulatory and market development programmes
- Analyzing the potential impacts and benefits of proposed regulations and rules on market operators and the capital market
- Engaging in long-term research and policy planning in addition to providing research support in regulatory and enforcement policy areas
- Formulating and implementing comprehensive investor/public education and capital market development programmes.
- Taking care of the Commission's media, public and international relations including publications of the Commission.



## ACTIVITIES IN 2005

In the year under review, the department studied and made important contributions to the Commission's policy and strategic direction towards the development of the capital market and the regulatory effectiveness of the Commission itself. Among the major contributions made by the department were the following:

### Unclaimed Dividends

The department conducted studies on unclaimed dividends in listed companies and made appropriate recommendations for the consideration of the board. The study revealed that huge amounts of dividends declared remained unclaimed each year and have accumulated over the years. In presenting its findings, the department also researched into how other jurisdictions treat unclaimed dividends and other assets and concluded that there was the need for the Commission to come out with interim guidelines and later a set of regulations on how unclaimed dividends should be treated under the Commission's investor protection mandate. The Commissioners subsequently directed the setting up of a special Committee to study the report and make further recommendations on the way forward for adoption. The findings of the report will form the basis for a consultative process with listed companies leading to a comprehensive set of rules and regulations on the subject.

### Financial Sector Strategic Plan (FINSSP)

The department liaised with the FINSSP secretariat of the Ministry of Finance and Economic Planning to complete a five-year strategic plan for the capital market. This was after the department had critically undertaken a comprehensive SWOT analysis of the securities industry including the Commission. The plan, which has four broad strategic objectives, will involve a comprehensive legislative review including development of new regulations to facilitate the development of new capital market segments such as the over-the-counter (OTC) securities market. It will also remove regulatory and legislative gaps, overlaps and obstacles to market development. The strategic plan is also aimed at enhancing the regulatory, supervisory and surveillance capacity of the Commission through technological upgrading, staff training and development. An extensive public education plan to improve market liquidity was also developed and incorporated into the overall strategic plan by the department.

### Public Education

The department continued with its strategy to provide capital market literacy and awareness to the public, particularly, the business community through financial journalists. During the year under review, it organized seminars on listings and post-listing procedures and requirements for financial journalists from both the print and electronic media. The department also provided prompt and timely information to the media on issues affecting the market. This strategy helped to generate the desired public and stakeholder interest in the securities market and the work of the Commission, which resulted in winning the confidence of investors in the SEC and the market.

The outcome of the department's investor rights and public education strategy and campaign has been an increase in the number of complaints received by the Commission from investors at home and abroad against some of the operating firms in the industry. This increase has necessitated the Commission to establish a dedicated department (Enforcement and Investigations department) to deal with such complaints with dispatch. Hitherto, the number of complaints received by the Commission was minimal since many investors hardly knew about their basic rights and complaints procedures available to them.

The department also continued with its University outreach programme begun in 2003, by participating in seminars on university campuses, particularly at the Universities of Cape Coast and Ghana, Legon. The approach has created a lot of awareness and interest among university students in the industry. This interest is evidenced by students doing dissertations on the securities market. Many investment clubs have now been formed on the university campuses and students' research interest in securities have also been heightened as a result. Many of the students especially from the University of Ghana made further enquiries at the Commission as to how best they could convert their investment clubs into licensed mutual funds after graduation in order to create jobs for themselves. The department assisted and offered guidelines to enable them meet the licensing requirements. We hope that the first ever campus based mutual fund mainly targeted at students will be licensed in the coming year.



## LEGAL DEPARTMENT

During the reporting year, the Legal department combined the functions of enforcement and investigations with assistance from the Market Surveillance Department. The main responsibilities of the Legal department are;

- Provision of general counselor services to the Commission which includes the function of representing the Commission in all judicial proceedings and preparation of legislative materials
- Provision of independent legal advice and assistance to the Commission and its departments
- Assisting the Courts in the interpretation of Securities Laws in the guise of an amicus curiae in private litigation if called upon to do so.

### Other key functions of the department include:

- Handling the primary formulation and drafting of all legislations and amendments to any legislation mooted by the Commission
- Formulation and drafting of all regulations issued in terms of the Securities Industry Law. The Legal Draftsman and the offices of parliament to ensure that such legislations are enacted
- Liaising with the Attorney General's Department with regard to the prosecution of breaches of the Securities Laws
- Assisting the Commission in the discharge of the quasi-judicial functions vested in it, which include the preparation and presentation of administrative cases
- Conducting investigations and ascertaining facts through all possible legal means, in the event of any breach or suspected breach of the Securities Laws. In discharging its investigative functions, the department is obliged to work closely with other foreign Securities Regulatory Authorities and local law enforcement agencies such as the Serious Fraud Office, the Economic Crimes Unit of the Criminal Investigations Department (CID) of the Ghana Police Service, Bureau of National Investigations (BNI), INTERPOL wing of Ghana Police Service etc.

## ACTIVITIES IN 2005

### Legal Advice

The department provided independent legal advice and assistance to various departments of the Commission, particularly during the review and approval of the initial offer documents of;

- Standard Chartered Bank Ghana Limited (SCB) - to raise ₵91.5 billion
- Standard Chartered Bank Medium Term Note Offer - to raise a total of ₵750.0 billion through private placement and from the general public
- Golden Web Limited (GWL) - to raise ₵9.35 billion
- Blue Mont Trading Ghana Limited (BMT) - to raise an amount of ₵22.5 billion. The department later provided legal advice to cancel the offer when the company directors failed to provide supplementary information
- Tender Offer Document In Connection With The Takeover of Mobil Oil by Total Outre-Mer-to purchase up to 945,000 of the remaining ordinary shares of Mobil Oil Ghana Limited



## Regulatory & legislative changes

As part of its functions to handle the primary formulation and drafting of all legislation and amendments to any legislation in relation to the Securities Industry Law, Rules and Regulations, the department assisted the Commission in the review of draft legislations and possible amendments to the following;

- **Review of Code on Mergers and Acquisitions:-** The review is aimed at having a unified code for the securities industry and to bring it par with international best practices
- **Review of the Central Securities Depository (CSD) Draft Bill:-** The bill is aimed at dematerializing securities and giving legal effect to the operationalization of the Central Securities Depository for general securities transactions
- **Regulation of Custodians, Registrars etc.:-** The department recommended that the Commission deal with existing regulatory gaps and overlaps in the Law, such as the absence of regulations for custodians, trustees, registrars, issuing houses, receiving agents, receiving banks etc. The department will take steps in the coming year to begin the process of drafting such regulations to plug those regulatory gaps

## Enforcement Actions

The legal department in conjunction with the Market Surveillance Department investigated and suspended the licenses of the following market operators for late submission of returns.

- Databank Brokerage Limited
- NTHC Securities Limited and
- Sterling Securities Limited

The department with the approval of the Approvals and Licensing Committee of the Commission issued twenty ( 20 ) other enforcement actions against a number of market intermediaries and listed companies for late submission of financial and other reports.

## Court Actions

The Legal department in the course of the year under review commenced legal action on behalf of the Commission in the High Court against Databank Brokerage Services Limited, Golden Development Holding Company and its directors to compel the defendants to surrender any monies due investors in their custody, make payments of such monies due together with outstanding interest to investors.

This legal action was instituted following several entreaties by the SEC to the defendants and their persistent failure to refund subscriptions from a failed IPO which sought to raise an amount of €30.0 billion in 2002. Under the Companies Code 1963 (Act 179), issuers of such failed IPO's are obliged to refund the subscriptions to the investors within a specified time, failing which the issuers are liable to pay interest on the said sums.



TABLE 8

GRADE	NUMBER
Ag. Director General	1
Manager	3
Assistant Manager	4
Officer I & II	3
Administrative Secretary	1
Driver	2
TOTAL	14

Out of the fourteen (14) new staff recruited, thirteen (13) had assumed duty and were at post as at the end of the reporting year. The department is expected to fill the remaining vacancies in 2006. These recruitments augmented the staffing positions of the legal, market surveillance, human resource and administration and the corporate finance and investment management departments.

### Staff Turnover

During the year under review, the Commission lost the services of three of its professional staff members through resignations and another one through secondment to the Ministry of Finance and Economic Planning. Consequently, the department placed additional advertisements to fill the four vacancies as indicated above.

### Performance Appraisals

The department appraised the performance of all the professional and other staff of the Commission and was able to identify several aspects of staff's training and motivational needs for 2006. On the whole, general performance of staff was highly satisfactory and areas that needed more attention in the coming year were identified for rectification.

### Training & Development

In order to keep pace with the dynamics of the securities industry, the Commission has adopted a culture of a 'learning organization' which gives opportunity to professional staff to upgrade their knowledge and competencies in various areas of securities market regulation and development. This is also in line with the Commission's policy to build and maintain capacity in order to effectively discharge its statutory mandates.

In view of this, the department developed and implemented a comprehensive training and development programme for all professional staff. Members of staff attended various training programmes locally and overseas. This included programmes organized by the International Organization of Securities Commissions (IOSCO), the Securities and Exchange Commissions of the United States and Nigeria, and the Financial Services Authority of the United Kingdom.



## ECONOMIC REVIEW

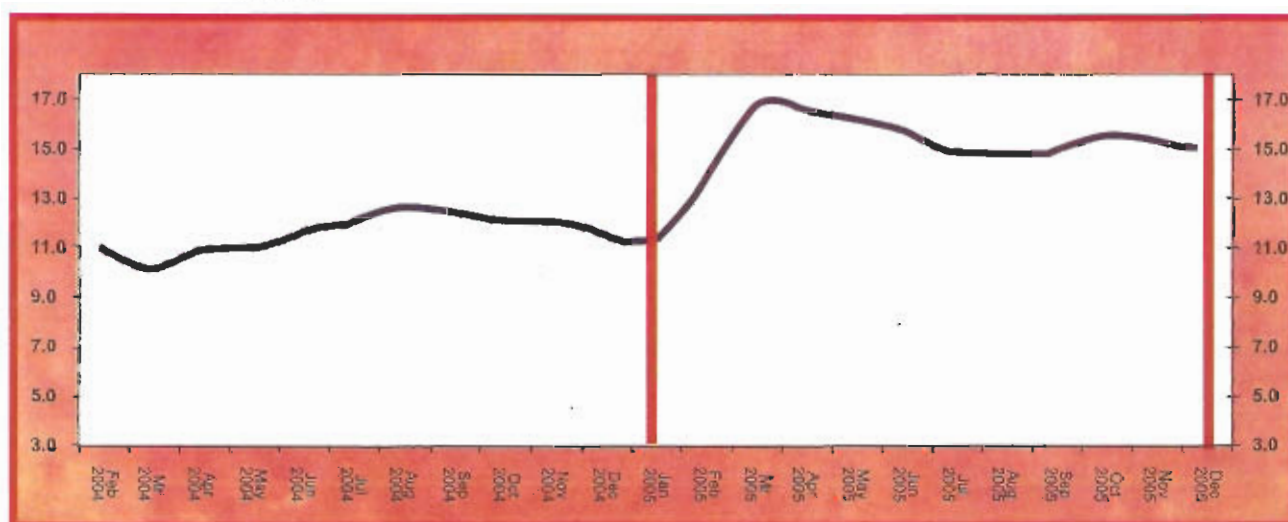
### THE GHANAIAN ECONOMY

The Ghanaian economy continued to maintain its stability and resilience in 2005 in the face of rising crude oil prices on the international commodities market. The economy maintained real GDP growth of 5.8%, the same as recorded in 2004. The growth was driven largely by improved world commodity prices for cocoa and gold exports, record remittances from Ghanaians living abroad and donor inflows, counterbalancing the rising cost of oil imports during the year.

The rate of inflation increased from 11.8% in 2004 to 14.8% by the end of 2005. This was generally due to a 57% cumulative increase in petroleum prices as well general increases in food prices during the year. These developments made the attainment of a single digit inflation target elusive to both the fiscal and monetary authorities of the country. The uncertain and persistent rise in crude oil prices on the international market consistently had a negative feed-on effect on the overall consumer price index and inflationary expectations thus posing a serious challenge to the macroeconomic stability of the country. The chart below illustrates how fuel price increases in 2005 fed into an upward trend in inflation and in the general price level of goods and services in the country.

The government however succeeded in maintaining fiscal discipline, which enabled it to achieve a budget surplus of 2.2% of GDP and reduce the stock of domestic debt from 15.2% of GDP in 2004 to 13.1% at the end of 2005. Government expenditure, particularly statutory payments which included both external and domestic debt service, payment of public sector wages, salaries, social security and pensions, and contribution to Ghana Education Trust (GET) Fund, declined from 17.3% of GDP in 2004 to 15.6% at the end of 2005 – All these, coupled with the astute manner with which the Bank of Ghana also executed its monetary policies, contained the inflationary pressures which the unforeseen rise in crude oil prices brought to bear on the Ghanaian economy in the course of the year under review. The left hand side of the chart below compares the trend of inflation in 2004 with that of 2005 on the right.

**Chart 1: Year-on-Year Growth in Prices: Jan-Dec 2005**



## REAL SECTOR DEVELOPMENTS

Ghana's real GDP growth of 5.8% in 2005, was underpinned by growth in the key sectors of the economy – agriculture, industry and services. Agriculture was the lead growth sector registering a growth rate of 6.5% as against 7.5% in 2004 and contributing 41.4% to the country's overall GDP as against 46.7% in 2004. The industrial sector grew by 5.6% compared to 5.1% in 2004, while the services sector recorded an improved growth performance of 5.6% over that of 2004 ( 5.1% ).

### Agricultural Sector

The cocoa sub-sector with a projected growth of 13.2% was the main contributor to the overall growth performance of the agricultural sector. Despite this, the cocoa industry's performance was far below that of 2004 with a recorded contributory growth rate of 29.9%. Forestry and logging was projected to grow by 5.6%, crops and livestock by 6.0% and the fisheries sub-sector by 3.6%.

### Industrial Sector

With the exception of mining and quarrying which was projected to decline from 4.5% in 2004 to 3.0% in 2005, all the sub-sectors were projected to record positive growths over 2004 and increased percentage contribution to overall GDP. The contribution of mining and quarrying to GDP declined from 4.1% in 2004 to 2.7% in 2005. The manufacturing sub-sector grew by 5.5% against 4.6% recorded in 2004 and contributed 8.6% to GDP as against 7.6% in 2004. Electricity and water also recorded an increased growth from 3.7% in 2004 to 6.6% in 2005, while its contribution to GDP also appreciated marginally from 1.6% in 2004 to 2.9% in 2005. The construction sub- sector was the dominant contributor to overall performance of the industrial sector of the economy. It sustained its incremental growth over the past four years by recording an improved growth of 7.0% compared to 6.6% recorded in 2004. Its contribution to GDP increased from 9.2% in 2004 to 9.8% in 2005. This is attributed to government's road construction programmes and infrastructure development under the HIPIC and GETFUND programmes in the various educational institutions in the country.

### The Services Sector

At the end of the period under review, all the six sub-sectors under the service sector recorded improved performance over those of the previous year. For example, wholesale and retail trade increased from 4.9% in 2004 to 6.1% in 2005 and contributed 7.3% to GDP. Transport, storage and communication also contributed 5.1% to GDP and 6.0% to the overall growth of the services sector. The contribution of finance and insurance sub-sector to the overall GDP growth was 4.2%. Its contribution to the growth of the services sector increased from 4.8% in 2004 to 5.6% in 2005. Government services also went up from 4.4% in 2004 to 5.0% with a projected GDP contribution of 9.3%. The percentage growth of the community, social and personal services sub-sector increased from 4.2% in 2004 to 4.3% in 2005, while that of non-profit services went up to 3.8% from 3.3% in 2004.

## MONETARY DEVELOPMENTS

The thrust of monetary policy of the Bank of Ghana following its monetary independence granted by an Act of parliament in 2002, continued to focus on reducing the rate of inflation and the depreciation of the local currency, the cedi, while ensuring adequate bank credit in support of private sector expansion. This resulted in facilitating the disinflation process following a 50% upward adjustment in the prices of petroleum products in February which brought headline inflation to a peak of 16.7% by the end of March. In August and October of the same reporting year, further upward adjustments in petroleum prices totaling 7% were made.

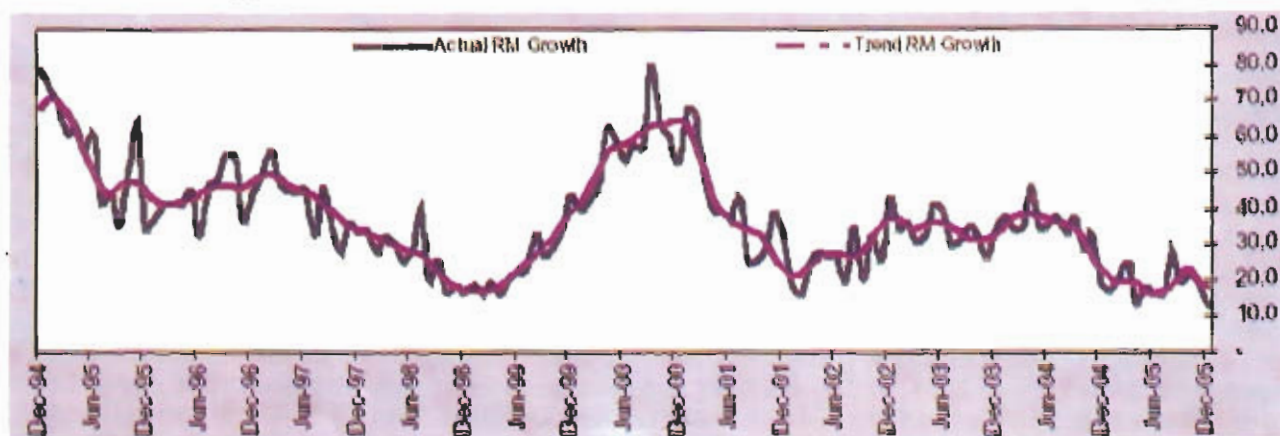
The appropriate use of effective monetary policy instruments, particularly the prime rate and open market operations by the Bank of Ghana helped to reduce inflationary expectations and sterilized excess liquidity in the economy to bring inflation down to 14.8% by the end of December 2005.



## Reserve Money

There was a general slow down in the growth of reserve money from 18.8% in 2004 to 12.7% by the end of 2005. This was driven by a fall in net domestic assets of Bank of Ghana and a slow down in the growth of its net foreign assets. The central bank's net domestic assets slowed by -37.6%, which arose from, net claims on government and Deposit Money Banks (DMB's). Although compared to the end of 2004, year-on-year net claim on government in 2005 declined by 19.7%, net claims on DMB's (Deposit Money Banks) however went up by 61.0% in 2005 compared to the same period. The chart below illustrates the use of slowing down the growth of reserve money (RM), one of the key monetary aggregates, as a deliberate monetary policy instrument by the central bank to contain inflationary pressures in the economy since 2001. From about 80% in 2000, it has consistently slowed over the years to reach a growth level of 12.7% by the end of 2005.

Chart 2: Rate of growth in reserve money (1994 - 2005)



Source: Bank of Ghana.

The table below indicates the general slow down in the growth of the various sources or components of reserve money between 2002 and 2005. In 2005, the year-on-year growth experienced a marked slowdown in all the components than in any of the previous years.

TABLE 9

Sources of growth in reserve money

	Dec 2002 to Dec 2005 (in Billion Cedis)				year-on-year growth		
	Dec-2002	Dec-2003	Dec-2004	Dec-2005 Prov	Dec-2003	Dec-2004	Dec-2005
Net Foreign Asset	2256	8133	11071	12906	260.4	36.1	17.4
NFA (\$ equiv.) \$million	265	921	1223	1423	247.0	32.9	16.4
Net Domestic Asset	3511	-440	-1953	-2686	-112.6	-344.1	-37.6
Of which:							
Claims on government (not)*	5381	5102	6231	5005	-5.2	22.1	-19.7
Claims on DMB's (not)	-375	-926	-2001	-788	-147.2	-116.1	61.0
Reserve Money (RM)	5767	7693	9118	10307	33.4	18.5	13.0
Of which:							
Currency	4672	6338	7303	8270	35.7	15.2	13.2
DMB's reserves	1056	1256	1697	1928	19.2	34.8	13.6
Non-bank deposits	39.5	96	117	110	143.3	21.4	-6.0

Source: Bank of Ghana

## Broad Money

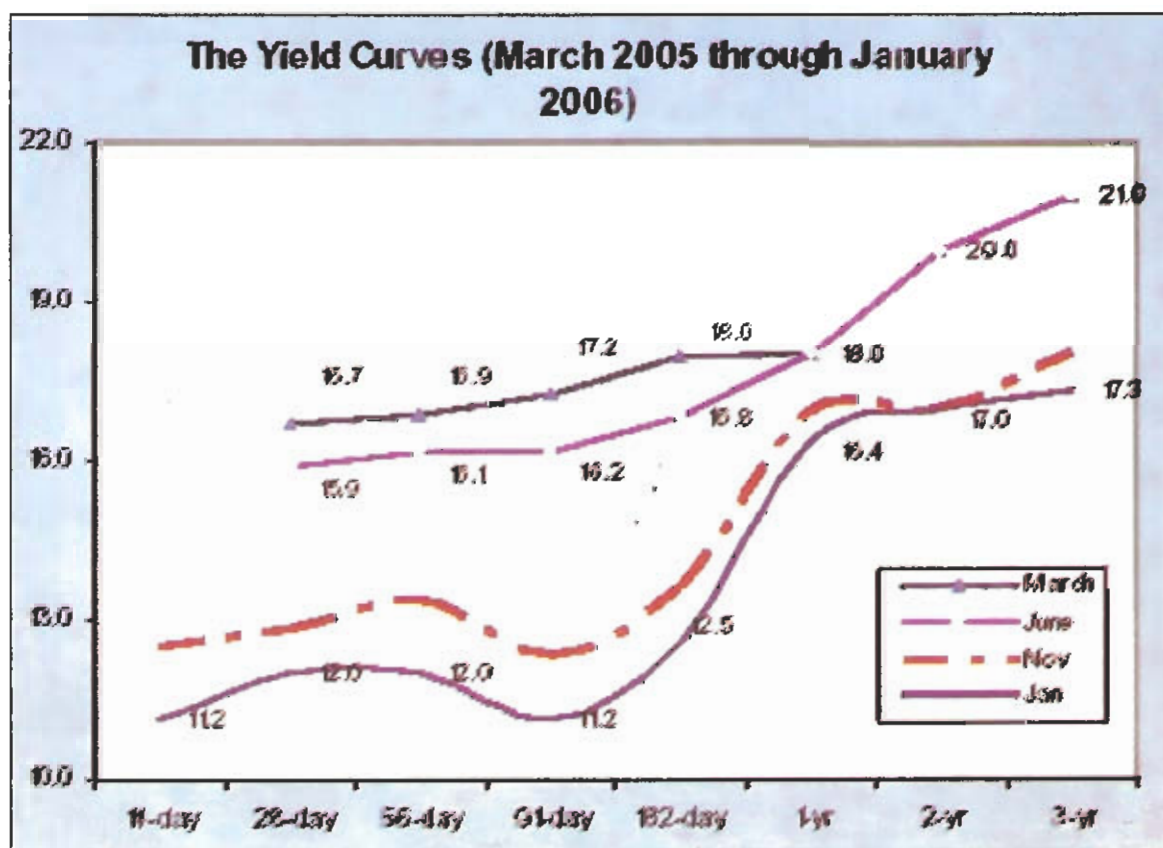
Similar to growth rate trend in reserve money, annual growth rate of broad money supply in 2005 also slowed down considerably compared to 2004. For instance, M2+which reflects total liquidity including foreign currency deposits, recorded year-on-year decline in growth from 34.9% by the end of 2004 to 10.6% by the end of 2005. The growth in M2 also slowed down from 38.4% to 10.5% between the same period. Growth in M1 slowed from 41.0% to 10.5%. Currency with the non-bank public, demand deposits, quasi-money and foreign currency deposits, all showed significant slow down in growth. The slow down in the entire monetary aggregates helped the economy to stem the incidence of high inflationary pressures exerted on the economy by the phenomenal hikes in world crude oil prices during 2005.

## Interest Rates

The general slow down in money supply as already highlighted above, in addition to such factors as reductions in the prime rate by the Bank of Ghana, ease in inflationary expectations, effect of a downward revision in July of the secondary reserve requirements by the central bank and reduced government borrowing on the auction market under the Public Sector Borrowing Requirements (PSBR), fuelled the money market to experience phenomenal reduction in interest rates. In the government securities market, the average interest rate on the 91-day Treasury Bills registered a decline of 6.30 percentage points from 17.75% by the end of 2004 to 11.45% by the end of 2005. The 182-day Treasury Bill also declined from 16.39% to 12.1%, while the 1-year Bond also dropped from 17.85% to 16.50% over the same period.

This implies that yields on Government of Ghana securities as well as those on Bank of Ghana Bills went through a downward trend with reduced government borrowing. However, while both short and long-term rates declined, rates at the short end of the market declined faster compelling significant shifts by investors from the short end of the market, notably from the 91-day and 182-day Treasury Bills to the 1-year, 2-year and 3-year floating and fixed rate notes. The decline in yields on various government securities during the year is depicted below:

Chart 3





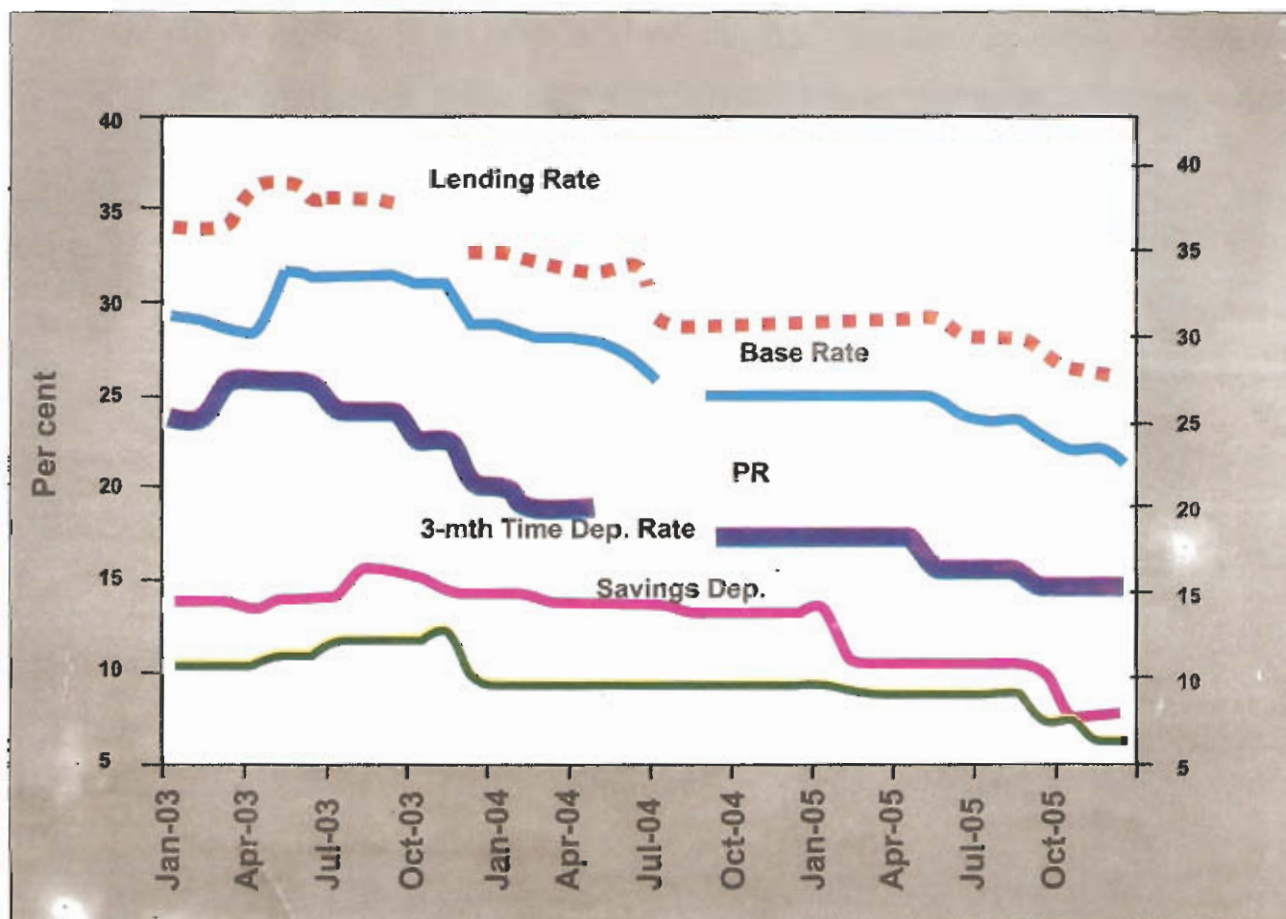
Despite reductions in secondary reserves and prime rate by the Bank of Ghana, the Deposit Money Banks (DMB's) continued to maintain wide spreads between the Bank of Ghana prime rate (PR) and their lending rates compelling the government and the central banks to use moral suasion to persuade the DMB's to adjust their lending rates downwards so as to encourage lending to the private sector. However, the DMB's maintained that lending risks to the private sector was still high. The spread between the Bank of Ghana prime rate and the lending rates of the DMB's is depicted in the graph below:

There is the need for these positive monetary and fiscal development initiatives to be complemented by an active capital market which will exert competitive pressure on the banks to reduce lending rates and increase deposit rates. This can be achieved in two ways. First by developing the country's stock and bond markets to enable the corporate sector to bypass the DMB's to raise funds cheaply on these markets. The capital market will therefore serve as an alternative source of finance to the private sector.

The second strategy will be to encourage the formation of many money market based mutual fund and unit trust schemes, which have the ability to provide better investment returns to depositors than what a DMB's depositor can currently get from his or her bank savings and current accounts. These two strategies will hit hard at both the corporate and retail banking segments of the money market as many of the DMB's can hardly afford to lose their customers to the capital market.

It is also likely that the DMB's may also be attracted to follow their customers to the capital market by applying for licenses to operate in the market as a result. This development may transform the entire financial market of the country into a competitively efficient one.

**Chart 4: BOG Prime Rate and Selected DMB Interest Rates**



## Exchange Rates

On the currency market, the cedi maintained an improved relative stability against other major international trade currencies of the country compared to 2004. The opening year's inter-bank rate of the cedi to the United States dollar was quoted at ₵9,029.73 and closed at ₵9,051.82, depreciating by only 0.6% compared to 2.3% in 2004. The cedi however appreciated against the Euro and the British pound by 15.7% and 11.3% respectively, compared to depreciations of 8.2% and 9.7% respectively in 2004. This achievement is attributed to prudent management of the economy by the government and the central bank.

## FISCAL DEVELOPMENTS

The central plank of government's fiscal policy for 2005 and most of the preceding years has been the systematic reduction and stabilization of domestic debts. This implies a move away from deficit financing from domestic sources, which had characterized the Ghanaian economy in the past. The fiscal operations of government resulted in a primary balance of about ₵2,755 billion representing 2.9% of GDP compared to a balance of 0.3% of GDP in 2004.

Government's fiscal position also posted a budget surplus of ₵2,115.6 billion and a domestic debt repayment of ₵1,260.6 billion representing a significant reduction in Ghana's domestic debt from 15.2% of net GDP ratio in 2004 to 11.1% by the end of 2005. It is interesting to note that the ratio was as high as 21.0% of GDP at the beginning of 2001. Government's net domestic financing dropped from 0.5% of GDP in 2004 to -1.3% by the end of this reporting year. This signifies government's policy commitment over the years to reduce its stock of domestic debts in order to facilitate reduction of interest rates and free available financial resources to the private sector of the economy to accelerate economic growth as part of its overall policy to make the sector the engine of growth for Ghana. The table below gives a general comparative overview of the performance of key macro-economic indicators between 2004 and 2005 as provided by Bank of Ghana.

TABLE 11

### GROWTH IN KEY MACROECONOMIC INDICATORS

	Growth (y-o-y) Dec-04	Growth (y-o-y) Dec-05
Headline Inflation	11.3	14.8
Core Rate of Inflation (INXAFE)	5.1	5.3
Adjustment in Petroleum Prices	0.0	57.0
Net Domestic Financing of Govt as a percentage of GDP [+ indicates net borrowing; - indicates net repayment]	+0.5	-1.3 (prov)
Exchange rate depreciation (cedi:USD)	-2.3	-0.6
Exchange rate depreciation (cedi:£)	-9.7	11.3
Exchange rate depreciation (cedi:Euro) [- indicates depreciation; + indicates appreciation]	-8.2	15.7
Reserve Money Growth	18.8	12.7
M2+ Growth	34.9	10.6
M2 Growth	38.4	10.5
Currency Outside Banks	15.2	13.2

Unless otherwise stated all figures are in percent

Source: Bank of Ghana Statistics for 2005



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M2 Growth	38.4	10.5
Currency Outside Banks	15.2	13.2

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Source: Bank of Ghana Statistics for 2005

## BALANCE OF PAYMENT DEVELOPMENTS

By the third quarter of 2005, the current account balance was in deficit by US\$164.89 million compared to US\$21.95 million recorded for the same period in 2004. This was due to a widening trade deficit arising from rising cost of imported crude oil and petroleum products and a marginal decline in volume and value of the country's main export commodity, cocoa, on the international commodities market.

### Exports

During the same period, merchandise exports were estimated to be US\$2,118.64 million. Out of this, cocoa beans and products contributed 34% to the total national export value, with gold contributing 32%, timber 8% and non-traditional exports 26%. Compared to 2004, the value of Cocoa exports declined by 19.6%, whilst gold, timber and non-traditional exports increased by 8.7% and 8.3% and 17.8% respectively.

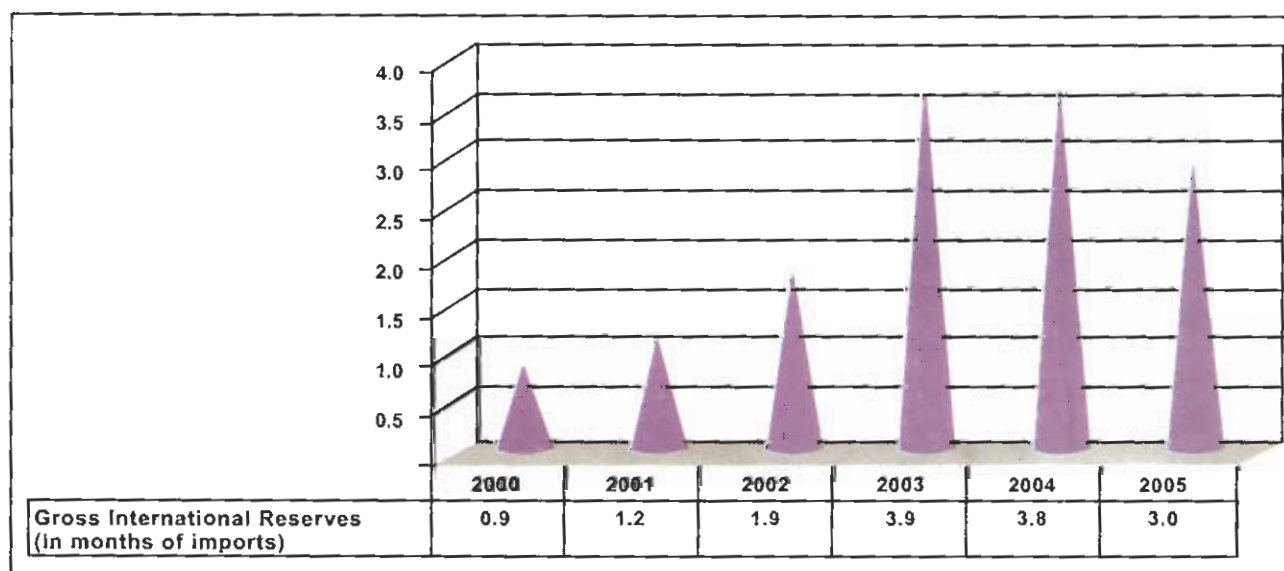
### Imports

The value of merchandise imports for the same period amounted to US\$3,465.84 million showing an increase of 12.84% over that of 2004. About 20.3% of the country's import bill went into oil imports which recorded an average price increase of 47.88% on the world market by the end of the reporting year. The value of non-oil imports also went up by 8.9% over that of 2004.

### Overall Balance

While provisional estimates showed the current account to be in continuous deficit of US\$164.89 million as a result of pressure exerted on the external sector by rising oil prices and fall in the volume and value of the country's main export commodity, cocoa, the overall balance of payment however was projected to be in surplus of US\$86.7 million by the end of 2005, mainly due to an improvement in the capital account position. Despite the pressure, Prudent fiscal and monetary discipline helped to maintain an impressive foreign reserves of about US\$1,647 million, equivalent to 3.0 months of import cover for the country down from 3.9 months and 3.8 months in 2003 and 2004 respectively.

Chart 5: **Gross International Reserves (2000 – 2005 )**





## STOCK MARKET REVIEW

### INTRODUCTION

The Ghana Stock Exchange (GSE), which provides a secondary market trading platform for, listed equity and debt securities witnessed persistent bearish dominance in its equity trading activities throughout 2005. Apart from the months of January, September and October, which recorded some marginal gains and a slight easing in the bearish trend of the market, the rest of the year recorded declines in index bringing the GSE ALL-SHARE INDEX down by -29.50% by the end of December 2005. This is in sharp contrast with the two preceding years of 2003 and 2004 when the equity market recorded successive 'bullish runs' with returns of 154.67% and 91.32% respectively, making the GSE the best performing exchange in the world for two consecutive years.

From February to August, the market suffered unrelenting steep declines and eased up a little in September and October, following the introduction of daily trading in August on the GSE, which significantly improved trading volume and turnover over that of the previous months. The market steeply declined again in the remaining months leading up to Christmas as investors turned their attention to the occasion.

The primary underlying factor for the bear market is attributed mainly to "profit taking behaviour" exhibited by majority of investors who believed that the market was over-valued following the 'bull runs' in the two previous successive years. This exerted a lot of pressure on the sell-side of the market, thus sharply bringing down the share price of over-valued (mainly blue chip) stocks on the market. The year could thus be described as a market correction year.

Dips in business and consumer confidence as revealed in the Bank of Ghana survey in 2005, may also have accounted for the poor market performance during the year. The business community attributes this to rising operating costs arising from increases in fuel and energy prices during the year, declining sales in the face of stiff competition from cheap imports and smuggling from abroad under the current liberal trade policy or regime of government and low spending by the consuming public. These may have contributed to the poor half-year operating results and performance declared by most of the listed companies, which in turn may have fed negatively into investor response to equity trading on the stock market.

The investment decision of the collective investment scheme operators (mutual funds and unit trusts) to restructure and diversify their portfolios from mainly hard hit 'blue chip' stocks to good performing 'small cap' stocks caused further downstream ripples in the market and delayed market recovery. Many small individual investors also panicked in the face of the continuous fall in share prices to cash out their investments, forcing share prices to fall further.

Finally, the preference of investors for newly listed equities (IPO's) to those already trading on the market, dampened the chances of recovery in the secondary market. During the year, the initial public offer (IPO) from Golden Web Limited (GWEB) and the news of a preference share offer by Standard Chartered Bank of Ghana Limited and an IPO from the pharmaceutical company, Ayrton Drugs Limited, turned the attention of investors to the primary market.

### ACTIVITIES ON THE GSE

In the reporting year, the GSE ALL-SHARE INDEX went down by 2,031.8 points from 6,800.82 at the beginning of the year to 4769.02 at the close of the year, bringing a corresponding negative return in the GSE ALL-SHARE INDEX to -29.50%. This had a direct effect on total market capitalization, which also declined by 7.0% from 97,614.45 billion to 91,857.28 billion for the same period.

TABLE 11

**GSE ALL-SHARE INDEX MOVEMENT (END OF JAN – DEC. 2005 )**

MONTH	VALUE	NET CHANGE	% CHANGE (MONTHLY)
JANUARY	6,899.44	90.98	1.34
FEBRUARY	6,737.21	- 162.23	- 2.21
MARCH	6,453.84	- 283.37	- 4.21
APRIL	6,109.19	- 345.65	- 5.36
MAY	6,050.03	- 58.16	- 0.95
JUNE	5,862.74	- 187.29	- 3.10
JULY	5,019.66	- 843.08	-14.38
AUGUST	4,842.33	- 190.23	- 3.78
SEPTEMBER	4,874.25	- 36.06	0.74
OCTOBER	4,894.68	16.43	0.34
NOVEMBER	4,793.10	- 101.58	- 2.08
DECEMBER	4,769.02	-24.08	- 0.50

Chart 6

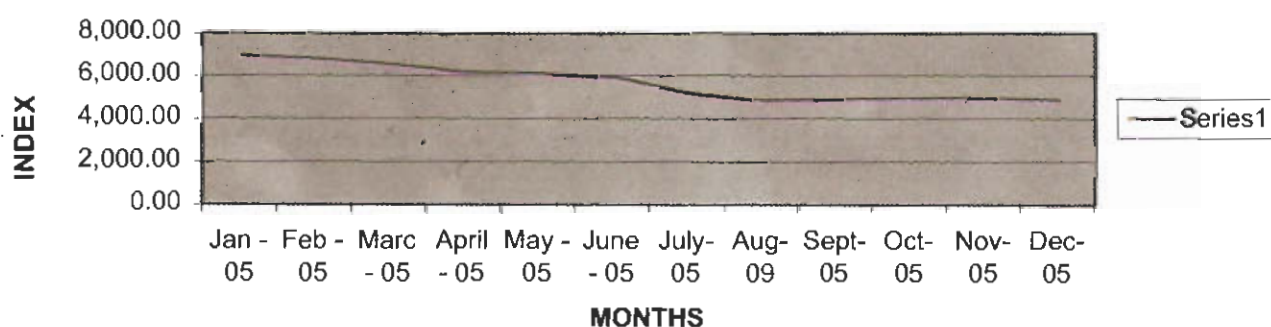
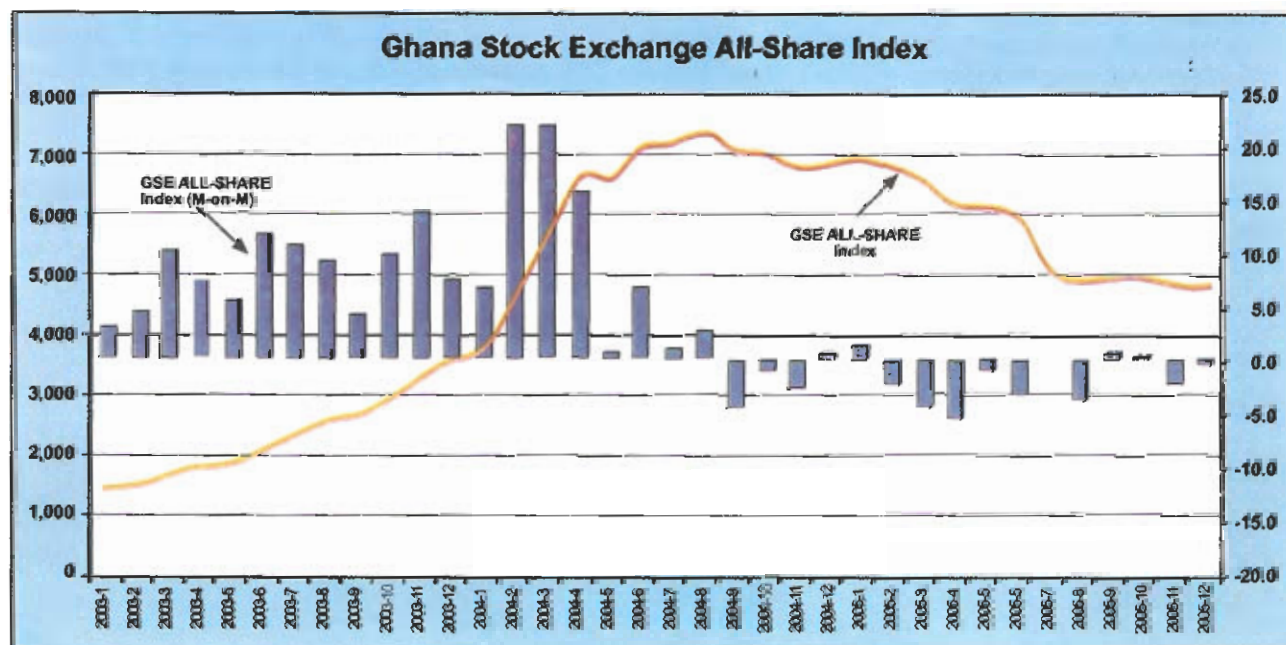
**GSE-ALL SHARE INDEX**

Chart 7





## MAJOR GAINERS AND LOSERS

Only four (4) equities out of the total of twenty nine (29) listed equities gained positive returns in share price with twenty suffering steep share price declines and five remaining flat. Stocks of the major blue chip listed companies were the most badly affected by the 'bear-run', whilst the smaller capitalized or SME stocks rather did extremely well with capital gains as high as 81.82% and 75.26% (i.e. CFAO and Camelot Ghana Ltd respectively). The worst performing stock for the year was British American Tobacco (BAT) which closed the year with negative returns of -60.39%. The table below illustrates the performance of stocks or the market in 2005

TABLE 12

### MAJOR GAINERS IN 2005

LISTED COMPANY	EQUITY CODE	YEAR'S OPENING PRICE (¢)	YEAR'S CLOSING PRICE (¢)	CAPITAL GAINS(%)
CFAO	CFAO	220.00	400.00	81.82
CAMELOT	CMLT	970.00	1,700.00	75.26
PZ CUSSONS	PZ	4,700.00	6,500.00	38.30
STARWIN	SPL	535.00	580.00	8.41

TABLE 13

### MAJOR LOSERS IN 2005

LISTED COMPANY	EQUITY CODE	YEAR'S OPENING PRICE (¢)	YEAR'S CLOSING PRICE (¢)	CAPITAL GAINS(%)
BAT	BAT	7,700.00	3,050.00	- 60.39
ALUWORKS	ALW	10,000.00	5,003.00	- 49.97
SG-SSB BANK	SSB	13,500.00	7,200.00	- 46.67
CAL BANK	CAL	3,400.00	2,000.00	- 41.18
COCOA PROCESSING CO.	CPC	1,000.00	600.00	- 40.00
HFC BANK	HFC	10,000.00	6,000.00	- 40.00
GUINNESS GHANA BREWERIES	GGBL	12,700.00	7,740.00	- 39.06
GHANA COMMERCIAL BANK	GCB	10,150.00	6,740.00	- 33.60
UNILEVER	UNIL	22,000.00	15,400.00	- 30.00
CLYDESTONE	CLYD	1,330.00	1,000.00	- 24.81
STANDARD CHART. BANK	SCB	170,000.00	130,000.00	- 23.53

## MARKET TURNOVER

Despite the bear market, trade volume for the year under review was relatively good even though lower than those of the two preceding years. This can be attributed to the introduction of daily trading on the GSE at the beginning of August as opposed to the previously thrice weekly trading. A total of 81.40 million shares valued at ₵464.36 billion were traded on the GSE. This however, represents a drop in volume terms of 18.34% and 22.26% compared to that in 2003 and 2004 respectively.

The top five companies that contributed most in volume terms to market turnover were Produce Buying Company (PBC), Cal Bank, Cocoa Processing Company, CFAO and Starwin Products. PBC alone contributed 42.41% to stock market liquidity or turnover, followed by Cal Bank with 12.03%. In value terms, the main contributors to market liquidity were Mobil Oil Ghana Limited which contributed 32.98% and Produce Buying Company with 22.24%.

TABLE 14

**TEN MOST ACTIVE EQUITIES BY VOLUME AND VALUE ( MARKET LIQUIDITY )**

<b>EQUITY</b>	<b>VOLUME TRADED</b>	<b>% OF TOTAL VOLUME</b>	<b>EQUITY</b>	<b>VALUE TRADED (¢ million)</b>	<b>% OF TOTAL VALUE</b>
PBC	34,455,000	45.13	MOGL	149,308	33.45
CAL	9,645,100	12.63	CAL	103,664	23.22
CPC	4,455,800	5.84	GCB	28,553	6.40
SPL	4,053,100	5.31	SSB	27,714	6.21
CFAO	3,853,900	5.05	SCB	26,602	5.96
MOGL	2,900,250	3.80	FML	23,821	5.34
GCB	2,514,500	3.29	GGBL	16,993	3.81
EIC	2,513,700	3.29	ALW	14,856	3.33
SSB	2,008,000	3.63	BOPP	12,767	2.86
GGBL	1,784,000	2.34	UNIL	9,594	2.15

TABLE 15

Below is a summary of major performance indicators of the market for the period under review.

**MARKET SUMMARY**

<b>Months</b>	<b>Volume Traded (M)</b>	<b>Value Traded (¢m)</b>	<b>No. of Listed comp.</b>	<b>Market Cap (¢bn)</b>	<b>GSE All-Share Index</b>	<b>GSE All-Share Index (% change YTD)</b>
JAN.-05	5.98	33,619.30	30	97,862.81	6,889.44	1.34%
FEB-05	2.71	19,801.32	30	97,448.40	6,737.21	-0.90%
MAR-05	5.66	20,552.43	30	96,674.86	6,453.84	-4.20%
APR-05	5.28	25,388.48	30	95,202.98	6,108.19	-5.35%
MAY-05	1.22	6,180.88	29	95,049.14	6,050.03	-0.95%
JUN-05	3.67	19,570.18	29	94,543.54	5,862.74	-3.09%
JUL-05	3.10	13,293.71	29	92,272.70	5,019.66	-16.80%
AUG-05	3.83	15,011.71	28	92,129.75	4,878.29	-2.90%
SEPT 05	6.04	165,527.52	28	92,129.75	4,878.29	0.00%
OCT 05	37.00	118,298.67	28	92,192.88	4,894.68	0.33%
NOV 05	1.85	9,158.10	29	91,920.89	4,793.10	-2.12%
DEC 05	5.06	7,959.93	29	91,857.28	4,769.02	-0.50%



From all indications, it may take quite a while for the market to regain full recovery next year (2006). This will depend on how fast business and consumer confidence is regained and how fast the government is able to mobilize resources from its development partners and tax revenues to inject into the economy in accordance with its projected programmes under its 2006 budget statement. The primary equity market is however expected to be active in 2006 as many companies are expected to raise new capital on the market for expansion. This may also dampen recovery of the secondary market as many investors would prefer investing in the new IPO's than trading in existing equities on the secondary market.

## THE PRIMARY EQUITIES MARKET

Weaker secondary equity market conditions resulted in lower primary market activity. Funds raised on the domestic primary equity market declined from ₵225.89 billion in 2004 to ₵5.42 billion in 2005, representing a fall of 4,067.7%. Compared to four new equity issues (IPO's) in 2004 (i.e., rights issues and initial public offers), only one corporate entity, Golden Web, an agro-processing company based in Kumasi issued an IPO to the market in 2005.

## DE-LISTINGS

Two companies de-listed from the GSE in 2005. They were Ghana Breweries Limited (GBL) and Metalloplastica Ghana Limited. GBL de-listed following a merger with Guinness Breweries Limited, while Metalloplastica de-listed on voluntary basis.

## THE BOND MARKET

Transactions on the primary and secondary bond markets remained subdued throughout the reporting year. No new funds were raised on the primary market in 2005 compared to ₵109.5 billion and US\$2.5 million in 2004. On the secondary market, only three corporate bonds belonging to HFC Bank with a total value of US\$ 5.53 million and £1.2 million remained listed on the GSE. The Ghana government also had three bonds (GGILBS) still listed on the bourse, two of which are maturing in 2006 and the last one in September 2007. Since investors in Ghana generally hold bond securities till maturity, turnover was low meaning there was virtually no liquidity in Ghana's bond market.

## OTHER ACTIVITIES ON THE GSE

Despite the lull in market activities on the GSE in 2005 compared to the previous years, other interesting developments took place on the market, which included the following:

- **Name Change:-** Pioneer Aluminium Factory Limited (PAF), one of the listed companies changed its corporate name and identity changed to Pioneer Kitchenware Limited (PKL).
- **Take-Over Announcement:-** Mobil Oil Ghana Limited announced the signing of a sale and purchase agreement between its parent company, Mobil (U.K) Limited and Total Outré Mer. The agreement involved the purchase of 2,835,000 shares representing 60% interest of Mobil (U.K) in Mobile Oil Ghana Limited.
- **Take-Over:-** Guinness Ghana Limited took over Ghana Breweries Limited resulting in a new company, Guinness Ghana Breweries Limited.
- **Admission Of New Licensed Dealing Members (LDM's):-** The GSE officially admitted HFC Brokerage Services Limited and Prudential Brokers Limited to trade on the Exchange. This was after they had been issued with broker-dealers licenses from the Securities and Exchange Commission. This brings the total number of licensed broker-dealers operating as LDM's on the GSE from 15 in 2004 to 17 in 2005.

## PERFORMANCE OF COLLECTIVE INVESTMENT SCHEMES

The Collective Investment Schemes Industry at the end of 2005 had four (4) Mutual Funds and four (4) Unit Trusts operating. These were made up of four (4) equity funds, two (2) balanced funds, one (1) real estate trust and one (1) money market fund. All the funds recorded positive gains in line with the general trend of the stock market in Ghana. One (1) fund, the Epack Investment fund limited, had as part of its portfolio mix, shares being traded in other regulated markets in Africa.

A general decline in share prices on the Ghana Stock Exchange affected the performance of the asset values of most of the funds of the collective investment schemes, particularly those with substantial portfolio allocation in stocks on the GSE.

### A. Mutual Funds

TABLE 16

Below is a table of the performance of Mutual Fund Schemes in Ghana. Figures are provisional.

FUND	NET PROCEEDS (OUTFLOWS) FROM CAPITAL TRANSACTIONS		NET ASSETS	
	2005	2004	2005	2004
EPACK	(53,024,103,000)	177,623,077,328	254,641,963,000	324,154,564,479
SAS FORTUNE	(1,159,295,945)	6,809,994,342	5,010,434,785	9,951,148,247
NTHC HORIZON	10,945,664,000	14,282,705,782	10,490,692,000	15,444,198,127
ANIDASO	1,523,455,700	-	1,427,521,720	-
M - FUND2	49,088,121,000	16,003,836,000	72,756,578,000	16,782,071,000

1 Figures are provisional

Source: Annual Reports of Schemes

### B. Unit Trusts

The Companies Code, 1963, Act 179 Section 318(1) defines a unit trust as "any arrangement whereby securities or any other property, other than a charge to secure the debentures of one body corporate, are vested in trustees and the beneficial interest therein is divided into Units, Sub-Units or other interests by whatsoever name called, hereinafter in this Code referred to as units, with a view to an invitation being made to the public to acquire such units or any of them".

TABLE 17

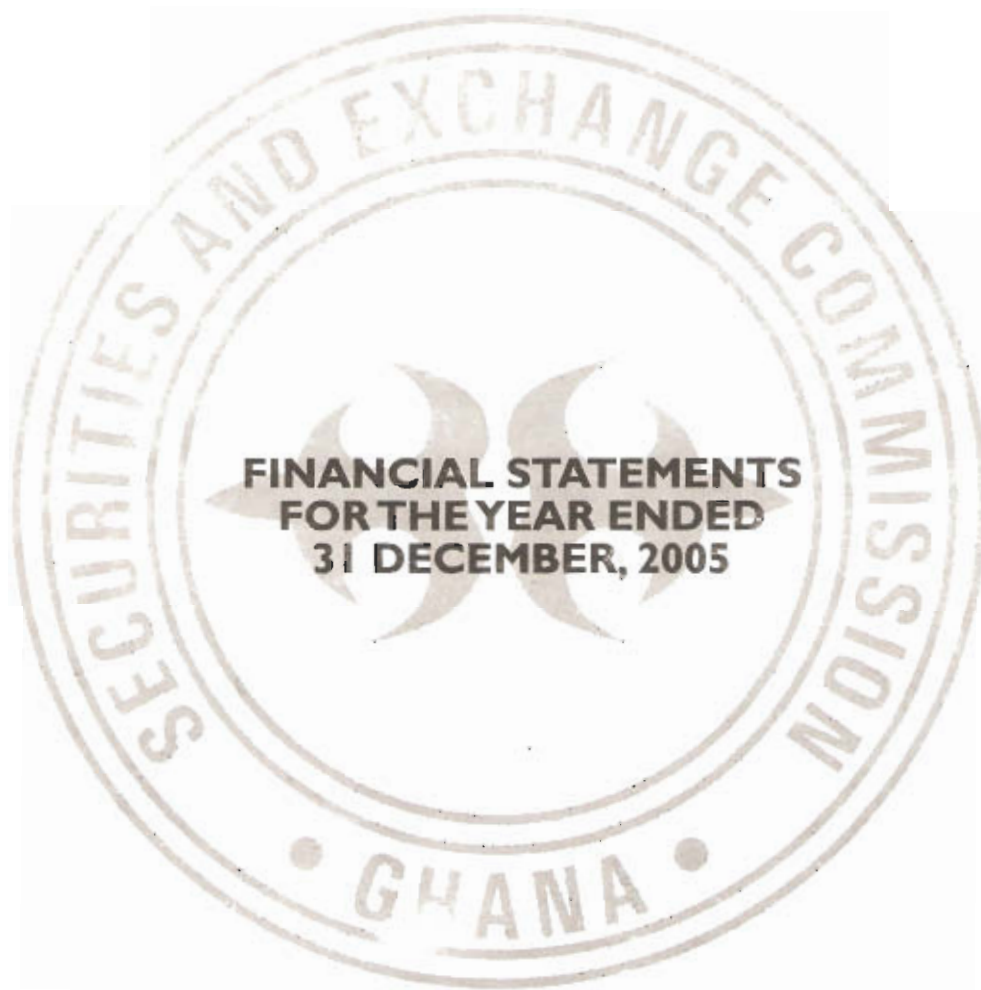
Below is a table of the performance of Unit Trusts in Ghana. Figures are provisional

FUND	NET PROCEEDS (OUTFLOWS) FROM CAPITAL TRANSACTIONS		NET ASSETS	
	2005	2004	2005	2004
HFC UNIT TRUST	130,246,034,000	159,948,973,000	155,032,850,000	189,240,370,000
GOLD FUND	(6,740,614,569)	15,820,507,131	8,852,860,824	15,375,565,384
HFC REIT	7,003,923,874	6,909,646,000	11,212,045,324	11,698,651,000
HFC EQUITY TRUST	7,761,410,000	8,395,491,000	6,625,691,000	8,735,191,000

2 The M - Fund is a money market fund, hence returns are annualized.

3 Figures are provisional





## **SECURITIES AND EXCHANGE COMMISSION REPORT OF THE AUDITORS**

We have audited the financial statements on pages 47 to 55 which have been prepared under the historical cost convention and the accounting policies set out on page 50.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an independent opinion, based on our audit, on these financial statements.


### **BASIS OF OPINION**

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **OPINION**

In our opinion, proper books have been kept and the financial statements, which are in agreement therewith, comply with the Companies Code, 1963 (Act 179) and give a true and fair view of the state of the company's affairs at 31 December 2005 and of the profit and cashflow for the year.



.....  
**OSEI KWABENA & ASSOCIATES**  
(CHARTERED ACCOUNTANTS)

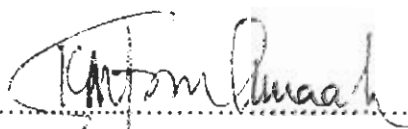
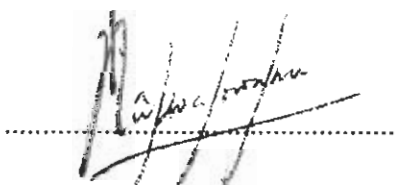
March, 2006



**BALANCE SHEET AS AT 31 DECEMBER, 2005**

	Note	2005 ¢	2004 ¢
<b>FIXED ASSETS</b>	2	1,142,630,928	1,325,892,842
<b>CURRENT ASSETS</b>			
Short-Term Investment	3	2,277,566,230	207,802,698
Sundry Debtors	4	967,920,708	598,825,711
Prepayments	5	27,553,015	105,493,291
Cash at Bank	6	868,570,765	1,558,980,694
Cash on Hand	7	4,826,309	7,755,685
		4,146,437,027	2,478,858,079
<b>CURRENT LIABILITIES</b>			
Accruals	8	379,473,432	69,624,955
		379,473,432	69,624,955
<b>NET CURRENT ASSETS</b>		3,766,963,595	2,409,233,124
<b>NET ASSETS</b>		4,909,594,523	3,735,125,966
<b>REPRESENTED BY:</b>			
Accumulated General Fund	9	4,909,594,523	3,735,125,966

DIRECTORS

The attached notes 1 to 15 on pages 47 to 54 form an integral part of the financial statements and should be read in conjunction therewith.

## INCOME AND EXPENDITURE STATEMENT THE YEAR ENDED 31 DECEMBER, 2005

	Note	2005 ¢	2004 ¢
<b>INCOME:</b>			
Ghana Government Subvention	11	4,172,003,400	3,165,245,802
Other Income	10	3,418,791,347	3,515,950,391
Total Income		7,590,794,747	6,681,196,193
<b>EXPENDITURE:</b>			
Emoluments and Allowances	14	3,234,478,449	2,535,712,806
Administrative Activity Expenses	12	2,488,071,460	1,873,803,956
Service Activity Expenses	13	693,776,281	996,155,360
Total Expenditure		6,416,326,190	5,405,672,122
<i>Excess of Income Over Expenditure Transferred to Accumulated Fund</i>		1,174,468,557	1,275,524,074



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 ¢
Net Operating Surplus	1,174,468,557
Add: Depreciation	466,356,714
	1,640,825,271
Changes in operating Assets and Liabilities:	
Increase in Debtors	(369,094,997)
Decrease in Prepayment	77,940,276
Increase in Creditors and Accruals	309,848,477
Net Cashflow from Operating Activities	1,659,519,027
Investment Activities:	
Increase in Investment	2,069,763,532)
Purchase of Fixed Assets	(283,094,800)
Increase/(Decrease in Cash Equivalent)	(693,339,305)

### ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENT

	2005 ¢	2004 ¢
Balance B/Fwd @ 01/01/2005	1,566,736,379	363,691,079
Net Change in Cash	(693,339,305)	1,203,045,300
Closing Balance @ 31/12/2005	873,397,074	1,566,736,379

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2005

### I. ACCOUNTING POLICIES

The financial statements set out on pages 50 to 55 have been prepared in accordance with the following accounting policies.

#### a. Basis of Accounting

These financial statements have been prepared using the historical cost convention.

#### b. Depreciation

Depreciation is provided on a straight-line basis at rates, calculated to write-off costs of the each fixed assets over its estimated useful economic life to the Commission. The rates applicable were:

Motor Vehicles	-	20%
Furniture, Fixtures & Fittings	-	10%
Office Equipment	-	15%
Household Equipment	-	15%
Motor Bicycles	-	25%
Library Books	-	25%

#### c. Foreign Currency

Transactions denominated in foreign currencies are converted using the foreign exchange rates ruling at the date of the transactions. Balances held in foreign currencies are translated into cedis using the exchange rates ruling on the balance sheet date, 31 December, 2005.



**2. COMPOSITION OF FIXED ASSETS**

	Motor Vehicle	Motor Bicycles	& Fittings	Furn., Fixtures Equipment	Office Equipment	Household Books	Library Total
<b>COST/VALUATION:</b>	¢	¢	¢	¢	¢	¢	¢
Balance @ 01/01/2005	853,417,449	32,482,500	152,020,818	1,960,761,565	83,246,563	28,491,400	3,110,420,295
Additions	-	-	37,122,000	237,156,800	8,816,000	-	283,094,800
Balance @ 31/12/2005	853,417,449	32,482,500	189,142,818	2,197,918,365	92,062,563	28,491,400	3,393,515,095
<b>DEPRECIATION:</b>	20%	25%	10%	15%	15%	25%	
Balance @ 01/01/2005	764,715,629	14,105,625	77,248,359	885,060,188	29,901,952	13,495,700	1,784,527,433
Charge for the Year	88,701,820	8,120,625	18,914,281	329,687,754	13,809,384	7,122,850	466,356,714
Balance @ 31/12/2005	853,417,449	22,226,250	96,162,640	1,214,747,942	43,711,336	20,618,550	2,250,884,167
<b>NET BOOK VALUE:</b>							
AS @ 31/12/2005	-	10,256,250	92,980,178	983,170,423	48,351,227	7,872,850	1,142,630,928
AS @ 31/12/2004	88,701,820	18,376,875	74,772,459	1,075,701,377	53,344,611	14,995,700	1,325,892,842

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2005

### 3. SHORT-TERM INVESTMENT - ₵2,277,566,230

This represents Short-Term Investments stated at market value.

### 4. SUNDRY DEBTORS - ₵967,920,708

	2005 ₵	2004 ₵
This is made up as follows:		
Staff Rent Advance	216,470,801	191,961,657
Accounts Receivable (Ghana Government)	670,318,550	406,864,054
Staff Car Loan	81,131,357	-
	967,920,708	598,825,711

### 5. PREPAYMENTS- ₵27,553,015

	2005 ₵	2004 ₵
This is made up as follows:		
Insurance Prepaid (Vehicle)	8,690,140	25,675,291
Internet Service Prepaid	18,862,875	-
	27,553,015	25,675,291

### 6. BANK AND CASH BALANCES- ₵868,570,765

	2005 ₵	2004 ₵
This is made up as follows:		
Bank of Ghana (Dollar Account)	405,437,464	637,687,675
Bank of Ghana (Cedi Account)	74,598,118	118,155,374
Ecobank Ghana Ltd. (Account No. 1)	251,832,703	477,662,823
Ecobank Ghana Ltd. (Account No. 2)	136,702,480	325,474,822
	868,570,765	1,558,980,694

### 7. CASH ON HAND - ₵4,826,309

	2005 ₵	2004 ₵
This is made up as follows:		
Petty Cash	1,219,984	1,137,902
Accountable Imprest	3,606,325	6,617,782
	4,826,309	7,755,684



**8. ACCRUALS - ₵379,473,432**

	2005 ₵	2004 ₵
This is made up as follows:		
Electricity Company of Ghana	543,850	3,068,001
Ghana Water Company Ltd	124,558	1,178,164
Ghana Telecom Ltd	689,540	5,380,596
IRS - PAYE	44,657,793	20,860,715
SSNIT	24,436,245	5,229,479
Audit Fees	28,750,000	23,000,000
State Enterprises Commission - Rent	18,000,000	9,000,000
State Enterprises Commission - Security	3,600,000	1,800,000
State Enterprises Commission - Sanitation	216,000	108,000
Withholding Tax Payable	34,598,457	-
Net Salary Payable	165,631,989	-
Members Allowance Accrued	58,225,000	-
	379,473,432	69,624,955

**9. ACCUMULATED FUND - ₵4,909,594,523**

	2005 ₵	2004 ₵
This is made up as follows:		
Balance @ 01/01/2005	3,735,125,966	2,419,601,895
Transfer from Income and Expenditure	1,174,468,557	1,275,524,071
Provision for Electricity	-	40,000,000
Balance @ 31/12/2005	4,909,594,523	3,735,125,966

**10. OTHER INCOME - ₵3,418,791,347**

	2005 ₵	2004 ₵
This is made up as follows:		
Licences and Fees	825,200,000	1,914,121,500
Investment Income	142,194,026	68,937,280
Penalties	245,000,000	109,500,000
Transactions Levy	1,965,250,871	1,402,868,999
Prospectus Approval Fees	241,146,450	-
Other Income	-	18,722,633
Interest on Staff Loans	-	1,199,979
	3,418,791,347	3,515,350,391

**11. GOVERNMENT SUBVENTION - ₵4,172,003,400**

	2005 ₵	2004 ₵
This is made up as follows:		
Personnel Emolument	3,340,707,551	-
Administration	510,149,990	-
Services	321,145,859	-
	4,172,003,400	3,165,245,802

**12. ADMINISTRATIVE EXPENSES - ₵2,488,071,460**

	2005 ₵	2004 ₵
This is made up as follows:		
Electricity and Water	25,900,313	99,802,195
Telecommunication	53,086,123	132,218,721
Security Service	64,953,000	81,826,250
Office Cleaning and Sanitation	7,571,000	4,892,750
Stationery and Office Supplies	116,319,383	60,043,000
Entertainment and Refreshments	82,823,885	57,937,100
Publications and Library Books	22,092,000	19,008,872
Subscriptions and Membership Fees	105,479,278	109,650,060
Rent - Office Accommodation	41,064,000	28,532,400
Travelling and Transport	20,379,922	7,571,500
Balance Brought Forward	539,668,904	601,582,848
Vehicle Running Costs	310,401,060	206,985,444
Repairs and Maintenance:		
- Official Vehicles	123,032,681	101,928,313
- Furniture and Fittings	7,964,200	2,615,500
- Equipment	77,553,272	53,254,247
Vehicle Insurance	32,774,989	40,642,959
Bank Charges	3,081,575	4,064,085
Medical Insurance and Expenses	161,654,092	130,848,104
Audit Fees	28,750,000	24,220,000
Donations and Contributions	26,873,580	13,630,000
Casual Labour and Overtime	-	11,350,000
Board Members' Fees and Sitting Allowances	-	130,000,000
Honoraria and Protocol	46,845,000	39,670,000
Maintenance - Residential Equipment	-	276,690
Legal Fees	13,660,000	7,000,000
Staff Welfare	44,550,000	-
Hotel Accommodation	137,435,978	-
Board Members' Fees	358,424,747	-
Bonus	109,044,668	-
Depreciation	466,356,714	505,735,266
	2,488,071,460	1,873,803,456

**13. SERVICE ACTIVITY EXPENSES - ₵693,776,281**

	2005 ₵	2004 ₵
This is made up as follows:		
Foreign Travel	241,650,681	721,050,124
Staff Training	73,705,000	95,292,380
Advertisement	195,276,503	63,829,005
Stationery	13,750,720	10,704,750
Printing and Publications	89,575,377	23,233,150
Internet Connectivity Charges	79,818,000	82,045,951
	693,776,281	996,155,360



**14. PERSONNEL EMOLUMENTS - ₵3,234,478,449**

This is made up as follows:	Note	2005 ₵	2004 ₵
Basic		1,706,507,017	-
Employers Contribution		209,415,608	-
Allowance		1,139,894,262	-
Gratuity		178,661,562	-
Board Members' Fee	15	-	-
		3,234,478,449	2,535,712,806

**15. BOARD MEMBERS' FEE AND SITTING ALLOWANCE - ₵358,424,747**

This is made up as follows:	2005 ₵	2004 ₵
Additional Directors Fee	60,751,290	-
Membership & Sitting Allowances	297,673,457	-
	358,424,747	-

## REGISTER OF LICENCED MARKET OPERATORS (2005/2006) LICENCED BROKER-DEALERS

COMPANY	ADDRESS/PLACE OF BUSINESS
Cal Brokers Ltd.	23 Independence avenue Po Box 14596, Accra. Tel: (021) 680052/680061-9 Email: calbrokers@calbank-gh.com
Capital Alliance Ltd.	Mile 4 Independence Avenue-Kanda Po Box 9544, KIA-Accra TEL: 769261 / 769755 Fax: 769755 Email: darsalam@ghanal.com
Databank Brokerage Ltd.	5th Floor Tower Block SSNIT Pension House PMB, Ministries Post Office, Accra TEL: 669110 / 669417/662363 Fax: 669100 Email: info@databankgh.com Website: www.databankgh.com
Merban Stockbrokers Ltd.	Merban House 44 Kwame Nkrumah Avenue Po Box 401, Accra TEL: (021) 251131-6 Fax: (021) 251138 Email: Merban_Services@merbangh.com
NTHC Securities Ltd.	Off Kwame Nkrumah Ave P.O.Box KIA 9563, Airport, Accra nthc@ghana.com
New World Investment Ltd.	3rd Floor, Mobil House Liberia Road P.O.Box CT. 2868 Cantonments Accra newworld@ghana.com
SDC Brokerage Serv. Ltd.	1st Floor, Former NPART Building Post Office Square Off High Street P.O.Box GP.14198, Accra brokerage@sdcggh.com
Liberty Investments Ltd.	Glico House Ayikai Street, Abossey Okai P.O.BOX GP 18086 Accra-Ghana libertyinvestments@hotmail.com
HFC Brokerage Services Ltd.	No. 6 Sixth Avenue Ridge Ambassadorial Area P.O. Box CT 4603, Accra Tel: (021) 664214, 664203 Fax: (021) 664106



COMPANY	ADDRESS/PLACE OF BUSINESS
<b>First Atlantic Brokers Ltd.</b>	No.1 Seventh Avenue Ridge West, Accra Tel: (021) 680825,682203,680826 Fax: (021) 679250 E-mail: brokers@firstatlanticbank.com.gh
<b>SAS Securities Ltd.</b>	Strategic African Sesurities Ltd. 2nd Ridge Link, North Ridge P.O. BOX 16446, Accra Tel: (021) 251546,7011770 Fax: (021) 7011774 E-mail: info@sas-ghana.com Website: www.sas-ghana.com
<b>Worldwide Securities Ltd.</b>	No. 8 Ringway Link P.O. BOX OS 01072, Osu- Accra Tel: (021) 256001, 764578, 764579 Fax: (021) 764580 E-mail: info@worldwidesecurities-gh.com Website: www.worldwidesecurities-gh.com
<b>Ecobank Stockbrokers Ltd.</b>	13 Seventh Ave. Extension, Ridge West, P.O.Box AN 16746, Accra Tel: (021) 223716, 7011856, 7011857 Fax: (021) 680428,6804328
<b>Gold Coast Securities Ltd.</b>	P.O.Box 17187 Mozambique Link, Accra Tel: (021) 910620 Fax: (021) 256344 E-mail: brokerage@gcsmoney.com
<b>CDH Securites Ltd.</b>	36 Independence Avenue Ridge P. O. Box 14911 Accra Ghana Tel: (021) 667425-8, 7010394 Fax: (021) 662167 E-mail: service@cdhghana.com
<b>Prudential Securities Ltd.</b>	8 Nima Avenue Ring Road Central P. O. Box CT 628 Cantonments Accra Tel: (021) 771284, 770936 Fax: (021) 768046 E-mail: info@prudentialsecuritiesghana.com
<b>SIC Financial Services Ltd.</b>	No. 28/29 Ring Road East (Nyemitei House) Osu P. O. Box 2363, Accra- Ghana Tel: (021) 780600-9 Fax: (021) 780615 E-mail: infofsl@sic-gh.com
<b>Sterling Securities Ltd.</b>	

COMPANY	ADDRESS/PLACE OF BUSINESS
<b>First Atlantic Brokers Ltd.</b>	No.1 Seventh Avenue Ridge West, Accra Tel: (021) 680825,682203,680826 Fax: (021) 679250 E-mail: brokers@firstatlanticbank.com.gh
<b>SAS Securities Ltd.</b>	Strategic African Sesurities Ltd 2nd Ridge Link, North Ridge P.O. BOX 16446, Accra Tel: (021) 251546,7011770 Fax: (021) 7011774 E-mail: info@sas-ghana.com Website: www.sas-ghana.com
<b>Worldwide Securities Ltd.</b>	No. 8 Ringway Link P.O. BOX OS 01072, Osu- Accra Tel: (021) 256001, 764578, 764579 Fax: (021) 764580 E-mail: info@worldwidesecurities-gh.com Website: www.worldwidesecurities-gh.com
<b>Ecobank Stockbrokers Ltd.</b>	13 Seventh Ave. Extension, Ridge West, P.O.Box AN 16746, Accra Tel: (021) 223716, 7011856, 7011857 Fax: (021) 680428,6804328
<b>Gold Coast Securities Ltd.</b>	P.O.Box 17187 Mozambique Link, Accra Tel: (021) 910620 Fax: (021) 256344 E-mail: brokerage@gcsmoney.com
<b>CDH Securites Ltd.</b>	36 Independence Avenue Ridge P. O. Box 14911 Accra Ghana Tel: (021) 667425-8, 7010394 Fax: (021) 662167 E-mail: service@cdhghana.com
<b>Prudential Securities Ltd.</b>	8 Nima Avenue Ring Road Central P. O. Box CT 628 Cantonments Accra Tel: (021) 771284, 770936 Fax: (021) 768046 E-mail: info@prudentialsecuritiesghana.com
<b>SIC Financial Services Ltd.</b>	No. 28/29 Ring Road East (Nyemitei House) Osu P. O. Box 2363, Accra- Ghana Tel: (021) 780600-9 Fax: (021) 780615 E-mail: info@sic-gh.com
<b>Sterling Securities Ltd.</b>	



## REGISTER OF LICENCED MARKET OPERATORS (2005/2006) LICENCED INVESTMENT ADVISORS

COMPANY	ADDRESS/PLACE OF BUSINESS
Capital Alliance Ltd.	Mile 4 Independence Avenue-Kanda Po Box 9544, KIA-Accra TEL: 769261 / 769755 Fax: 769755 Email: darsaiam@ghanal.com
Databank Asset Management Services Ltd.	5th Floor Tower Block SSNIT Pension House PMB, Ministries Post Office, Accra TEL: 669110 / 669417 Email: info@databankgh.com Website: www.databankgh.com
J. Kofi Bucknor & Assoc	81Osu Badu Street West Airport Private Mail Bag CCC 30, Cantonments, Accra-Ghana Tel:769725-6,781673-4 Fax:021-769727
NTHC Ltd.	Martco House, Adabraka 1st Floor, Okai Mensah Link, Off Kwame Nkrumah Ave P.O.Box KIA 9563, Airport, Accra Email: nthc@ghana.com
New World Investment Ltd.	3rd Floor, Mobil House Liberia Road P.O.Box CT. 2868, Cantonments Accra newworld@ghana.com
Ecobank Investment Managers Ltd.	19th Seventh Avenue Ridge West P. O. Box 16746, Accra TEL: 021 680421/681148 Fax: 256344 Email: ecobankgh@ecobank.com
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Aureos Gh. Advisors Ltd.	Regimmanuel Gray Headquarters No.2 La By Pass, La Accra P.O.BOX 2617 Tel. 021770212 Fax.021765118 ghanaoffice@aureoswa.com www.aureos.com
Boulders Advisors Ltd.	No.91 Osu Badu Street, West Airport, P O BOX CT. 3064, Cantonments-Accra Tel. 021784377,779837 Fax. 021 771249 boulders@wwwplus.com
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First Atlantic Asset Mgt.Co. Ltd.	No.1 Seventh Avenue Ridge West, Accra Tel.021 680825, 682203, 680826 Fax.021 679250
New Generation Investment Serv. Ltd.	Cocobob Jubilee Building Adum Kumasi P. O. BOX 3903, Kumasi Ghana Tel: 020-8121004 E-mail-newgenerationgh@yahoo.com
SIC Financial Services Ltd.	No. 28/29 Ring Road East (Nyemitei House) Osu P. O. Box 2363, Accra- Ghana Tel: 780600-9 Fax: 021-780615

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Fidelity Asset Management Ltd.	Fidelity House , 20 Ring Road Central PMB 43, Cantonments-Accra Tel.021-245850 Fax. 021-245851 services@fidelityghana.com www.fidelityghana.com
Fidelity Capital Partners Ltd.	Fidelity House , 20 Ring Road Central PMB 43, Cantonments-Accra Tel.021-245850 Fax. 021-245851 services@fidelityghana.com www.fidelityghana.com

## REGISTER OF LICENCED MARKET OPERATORS (2005/2006) LICENCED TRUSTEES

COMPANY	ADDRESS/PLACE OF BUSINESS
Merchant Bank Ltd.	Merban House No.44 Kwame Nkrumah Avenue, P.O.BOX 401, Accra-Ghana Telex.Accra2191 Merban Gh Tel.021666331-6,7011718-26 Fax.021667305 merban_services@merbangh.com www.merbankgh.com
Provident Insurance Co.	Provident Towers Ring Road Central P.O Box 782, Accra Tel.021 229807,233964,221096 Fax.021 239463

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Stanbic Bank GH.Ltd.	P O BOX CT 244, Cantonments, Accra Tel.021687670-8 Fax.021687669,7011591 stanbicghana@stanbic.com.gh
Barclays Bank Gh. Ltd.	Barclays House High Street P.O.BOX GP.2949, Accra, Ghana Tel.021669258,664901-4 Fax.021667681



## REGISTER OF LICENCED MARKET OPERATORS (2005/2006) LICENCED COLLECTIVE INVESTMENT SCHEMES

COMPANY	ADDRESS/PLACE OF BUSINESS
Epack Investment Fund Ltd.	5 <sup>th</sup> Floor Tower Block SSNIT Pension House PMB, Ministries Post Office, Accra TEL: 669110 / 669417/662363 Fax: 669100 E-mail: info@atabankgh.com Website: www.atabankgh.com
SAS Fortune Fund Ltd.	2nd Ridge Link, North Ridge P.O.BOX KA 16446, Accra, Ghana Tel.021251546,7011770 E-mail: sasim@sas-ghana.com
Databank Money Market Fund Ltd.	5 <sup>th</sup> Floor Tower Block SNIT Pension House PMB, Ministries Post Office, Accra TEL: 669110 / 669417/662363 Fax: 669100 E-mail: info@atabankgh.com Website: www.atabankgh.com
NTHC Horizon Fund Ltd.	Martco House, Adabraka P.O.BOX KIA 9563, Airport-Accra Tel.021238492,235814 Fax.021229975 E-mail: nthc@ghana.com Website: www.nthcghana.com
HFC Equity Trust	No. 6 Sixth Avenue, Ridge Ambassadorial Area P.O.BOX CT. 4603, Cantonments ,Accra. Tel. 021 664214,664430,664203 Fax.021664106 E-mail: hfcis1@africaonline
Gold Fund Unit Trust	21st Dr.Isert Road, North Ridge (Near the Royal Danish Embassy) P.O.Box GP 17187, Accra E-mail: gcs@goldcoas.com
HFC Unit Trust	HFC Towers, NO.91 Libya Road P.O.BOX 4603, Cantonments, Accra Tel. 021 664214,664430,664203 Fax.021664106 E-mail: hfcis1@africaonline
Anidaso Mutual Fund	New Generation Investment Services Ltd. COCOBOD Jubilee House, 1st Floor Adum- Kumasi
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