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**Bayport Financial Services Ghana
Limited**

**Report and Financial Statements
31 December 2015**

General Information

Country of incorporation and domicile	Ghana
Nature of business and principal activities	Provision of retail financial services
Directors	Kwame Pianlm (Chairman) Stuart Stone Nana Prah Agyensalm VI Irene Duncan-Adanusa (Mrs) Kofi Adu-Mensah (Managing Director) Justin Chola Bryan Arlow (Resigned 24 November 2015) Angela Leibel (Mrs) (Deputy Managing Director) Felicity Acquah (Mrs)
Business address	71 Osu Badu Street Airport West Accra
Parent Company	Bayport Management Ltd Incorporated in the Republic of Mauritius
Bankers	Fidelity Bank Ghana Limited GCB Bank Limited Standard Chartered Bank Ghana Limited Societe Generale Ghana Agricultural Development Bank Zenith Bank (Ghana) Limited United Bank for Africa (Ghana) Limited First Atlantic Bank Limited - Ghana Energy Bank Ghana Ltd
Auditor	Deloitte & Touche Chartered Accountants 4 Liberation Road P.O. Box GP 453 Accra
Secretary	Dehands Services Limited 2nd Floor, Opelbea House 37 Liberation Road P.O. Box Ct 9347, Cantonments Accra, Ghana
Company registration number	CA 3614

BAYPORT FINANCIAL SERVICES GHANA LIMITED
FINANCIAL STATEMENTS
for the year ended 31 December 2015

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Code 1963, (Act 179) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

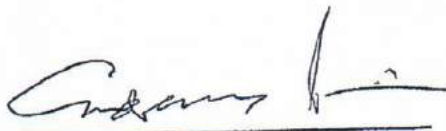
The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

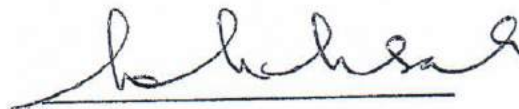
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2016 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 8 to 35, which have been prepared on the going concern basis, were approved by the board of directors on 11 March 2016 and were signed on its behalf by:



Director

Director

Directors' Report

The directors submit their report for the year ended 31 December 2015.

1. Incorporation

Bayport Financial Services Ghana Limited ("the Company") was incorporated on 23 October 2002 and obtained its certificate to commence business on 28 March 2003.

2. Review of activities

Main business and operations

The Company is a non-banking financial institution incorporated and domiciled in Ghana. It operates under the Non-Bank Financial Institutions Act, 2008, (Act 774) and Non-Banking Financial Institutions (Bank of Ghana) Rules which has now been migrated to the Banking Act 2004, (Act 673), as amended by Act 738.

The Company is engaged:

1. To provide short, medium and long term micro-credit, micro-finance services and related products to workers and entrepreneurs;
2. To provide salary-deduction based loan to workers;
3. To provide micro-credit to traders in the informal sector;
4. To act as insurance agents collecting premiums on insurance products associated with the company's loans on behalf of the insurance service provider;
5. To provide money transfer services;
6. To accept deposit and other repayable funds from the public; and
7. To provide electronic banking.

The operating results and state of affairs of the Company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Total comprehensive Income for the year was GHS 5,244,471 (2014: GHS 1,256,221), after taxation of GHS (2,450,581) (2014: GHS (774,188)).

3. Events after the reporting period

Listing on the Ghana Alternative Market (GAX)

In January 2016, the Company listed a total of GHS 78.55 million Medium-Term Notes on the Ghana Alternative Market (GAX) of the Ghana Stock Exchange. This issue comprise a fixed rate notes of GHS 69.27 million and GHS 9.27 million floating rate notes. The Note Programme is to raise GHS 200 million over a three year period as and when funds are needed.

The Company has therefore been converted from a private company to a public company and is now incorporated as "Bayport Financial Services Ghana Plc Limited" as of 17 March 2016.

4. Authorised and issued share capital

There were no changes in issued share capital of the Company during the year ended 31 December 2015.

5. Directors

The directors of the Company during the year end to the date of this report are as follows:

Name	Changes
Kwame Planim (Chairman)	
Stuart Stone	
Nana Prah Agyensaim VI	
Irene Duncan-Adanusa (Mrs)	
Kofi Adu-Mensah (Managing Director)	
Justin Chola	
Bryan Arlow	
Angela Leibel (Mrs)	resigned on 24 November 2015
Felicity Acquah (Mrs)	

Directors' Report (continued)

6. Secretary

The secretary of the Company is Dehands Services Limited of:

Business address
2nd Floor, Opelbea House
37 Liberation Road
P O Box CT 9347, Cantonments
Accra, Ghana

7. Parent Company

The Company's parent company is Bayport Management Ltd incorporated in the Republic of Mauritius.

8. Auditor

Deloitte & Touche will continue in office in accordance with section 134(5) of the Companies Code 1963, (Act 179).

Independent auditors' report To the members of Bayport Financial Services Ghana Limited

We have audited the accompanying financial statements of Bayport Financial Services Ghana Limited on pages 8 to 35 which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all information and explanation which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Code 1963, (Act 179) and the Non-Bank Financial Institutions Act, 2008, (Act 774) Section 23 and the relevant sections of the banking Act 2004 (673) as amended by the Banking Amendment Act 2007 (Act 738). These responsibilities include designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the company have kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies Code 1963, (Act 179), and Non-Bank Financial Institutions Act, (Act 774) Section 23 and the relevant sections of the Banking Act 2004 (673) as amended by the Banking Amendment Act 2007 (Act 738). The financial statements give a true and fair view of the financial position of the company as at 31 December 2015, and of its financial performance and cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards.

Independent auditors' report – continued To the members of Bayport Financial Services Ghana Limited

Report on other legal requirements

The Companies Code, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters. We confirm that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion proper books of accounts have been kept by the company so far as appears from our examination of those books; and
- iii. the statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) of the company are in agreement with the books of accounts.

The Banking Act 2004 (Act 673) section 78 (2) requires that we state certain matters in our report. We hereby state that:

- i. the accounts give a true and fair view of the state of affairs of the company and its results for the period under review;
- ii. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
- iii. The company's transactions are within its powers; and
- iv. The company has generally complied with the relevant provisions in the Banking Act 2004 (Act 673) and the Banking Amendment Act, 2007 (Act 738).



Deloitte & Touche (ICAG/F/2016/129)
Chartered Accountants
4 Liberation Road
Accra, Ghana
Daniel Kwadwo Owusu (ICAG/P/1327)

29th March 2016

Statement of Financial Position as at 31 December 2015

Figures in Ghana Cedi	Note(s)	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents	3	41,165,424	4,166,527
Net advances	4	229,177,115	187,561,074
Other receivables	5	9,607,782	4,020,377
Amount due from related parties	6	198,176	4,374,893
Current tax asset	27	164,714	-
Deferred tax asset	7	7,876,309	9,413,575
Property and equipment	8	6,207,417	5,013,183
Intangible assets	9	754,657	214,533
		295,151,594	214,764,162
Equity and Liabilities			
Equity			
Share capital	10	10,000,000	10,000,000
Total reserves	11&12	23,667,117	25,618,670
Retained earnings		63,070,101	55,874,077
		96,737,218	91,492,747
Liabilities			
Bank overdraft	3	1,104,632	7,892,793
Trade and other payables	13	10,815,235	5,054,956
Deposit from customers	14	1,211,721	265,724
Amounts due to related parties	15	21,769,459	7,600,809
Provisions	16	1,002,038	1,007,967
Current tax liabilities	27	-	1,895,218
Finance lease obligation	17	740,430	1,069,556
Borrowings	18	125,724,777	42,419,444
Loans from shareholders	19	36,046,084	56,064,948
		198,414,376	123,271,415
Total Equity and Liabilities		295,151,594	214,764,162

The responsibilities of the Company's Directors with regard to preparation of the financial statements are set out on page 3. The financial statements set out on pages 8 to 35, were approved by the board of directors on 11 March 2016 and were signed on its behalf by:



Director



Director

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015

Figures in Ghana Cedi	Note(s)	2015	2014
Interest income	20	107,359,827	78,889,002
Interest expense	21	(28,030,820)	(15,796,745)
Net interest income		79,329,007	63,092,257
Other income	22	6,823,672	5,830,110
Operating expenses		(52,248,589)	(37,030,429)
Impairment of loans and advances	4	(14,218,966)	(12,554,365)
Foreign exchange loss		(11,990,072)	(17,307,164)
Profit before taxation	23	7,695,052	2,030,409
Taxation	24	(2,450,581)	(774,188)
Profit for the year		5,244,471	1,256,221
Other comprehensive income		-	-
Total comprehensive income for the year		5,244,471	1,256,221

BAYPORT FINANCIAL SERVICES GHANA LIMITED
 FINANCIAL STATEMENTS
 for the year ended 31 December 2015

Statement of Changes in Equity

Figures in Ghana Cedi	Share capital	Statutory reserve	Regulatory credit risk reserve	Total reserves	Retained earnings	Total equity
Balance at 1 January 2014	10,000,000	13,347,413	11,527,160	24,874,573	55,361,953	90,236,526
Changes in equity						
Total comprehensive income for the year	-	-	-	-	1,256,221	1,256,221
Transfer to statutory reserve	-	188,433	-	188,433	(188,433)	-
Transfer to credit risk reserve	-	-	555,664	555,664	(555,664)	-
Total changes	-	188,433	555,664	744,097	512,124	1,256,221
Balance at 1 January 2015	10,000,000	13,535,846	12,082,824	25,618,670	55,874,077	91,492,747
Changes in equity						
Total comprehensive income for the year	-	-	-	-	5,244,471	5,244,471
Transfer to statutory reserve	-	786,671	-	786,671	(786,671)	-
Transfer to credit risk reserve	-	-	(2,738,224)	(2,738,224)	2,738,224	-
Total changes	-	786,671	(2,738,224)	(1,951,553)	7,196,024	5,244,471
Balance at 31 December 2015	10,000,000	14,322,517	9,344,600	23,667,117	63,070,101	96,737,218
Note(s)	10	11	12			

Statement of Cash Flows

Figures in Ghana Cedi	Note(s)	2015	2014
Cash flows from operating activities			
Cash used in operations	26	(13,306,072)	(32,163,193)
Tax paid	27	(2,973,247)	(7,046,752)
Net cash used in operating activities		(16,279,319)	(39,209,945)
Cash flows from investing activities			
Purchase of property, equipment and Intangibles	8	(4,365,535)	(4,740,368)
Proceeds from sale of property, equipment and intangibles	8	125,393	1,242,090
Net cash used in investing activities		(4,240,142)	(3,498,278)
Cash flows from financing activities			
Net Increase in borrowings		83,305,333	19,277,779
Net (decrease)/increase in loans from shareholders		(31,613,714)	3,823,902
Net (decrease)/increase in finance lease		(329,126)	893,661
Net increase in amounts due to related parties		12,944,026	5,592,422
Net cash generated by financing activities		64,306,519	29,587,764
Net increase/(decrease) in cash and cash equivalents		43,787,058	(13,120,459)
Cash and cash equivalents at the beginning of the year		(3,726,266)	9,394,193
Total cash and cash equivalent at end of the year	3	40,060,792	(3,726,266)

Significant Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Code 1963 (Act 179). The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Ghana Cedis, rounded to the nearest Cedi.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

The presentation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.2 Property and equipment

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property and equipment, the carrying amount of the replaced part is derecognised.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property and equipment have been assessed as follows:

Item	Average useful life
Furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	3 - 5 years
IT equipment	3 years
Leasehold improvements	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Derecognition of property and equipment

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Significant Accounting Policies (continued)

1.3 Intangible assets (continued)

Amortisation is recognised on a straight line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis:

Item	Average useful life
Computer software	3 years

1.4 Advances and provisions for impairment

Advances are disclosed net of impairment provisions, which in the opinion of the directors, are required. Specific impairment provisions are made against identified doubtful advances. Portfolio provisions are maintained to cover potential losses, which although not specifically identified, are considered to be present.

Advances, which are deemed uncollectable, are written off against the specific impairment provision. Loans previously written off which subsequently become fully performing again are reincorporated in the advances portfolio.

Both the specific and portfolio provisions raised during the period, less recoveries of advances previously written off, are charged to the statement of comprehensive income.

The Company reviews the carrying amounts of its advances to determine whether there is any indication that those advances have suffered an impairment loss. Where it is possible to estimate the recoverable amount of an individual advance, the company estimates the recoverable amount on a portfolio basis for a group of similar financial assets.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects the portfolio of advances' original effective interest rate.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising a specific impairment provision, which is recognised as an expense in the statement of comprehensive income.

1.5 Financial instruments

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Offsetting

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

Impairment of financial assets

At each reporting date the Company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/(from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown under current liabilities.

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in the income statement over the term of the borrowings using the effective interest method.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current year and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Value added tax

Revenues, expenses and assets are recognised net of the amount of VAT except where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

The net amount of value added tax recoverable from, or payable to, the Ghana Revenue Authority is included as part of receivables or payables in the statement of financial position.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Significant Accounting Policies (continued)

1.7 Leases (continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.8 Impairment of assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.11 Provisions and contingencies

Provisions are recognised when:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Significant Accounting Policies (continued)

1.11 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised. Contingencies (if any) are disclosed in note of the financial statements, note 30.

1.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest method.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Cedi, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Cedi by applying to the foreign currency amount the exchange rate between the Cedi and the foreign currency at the date of the cash flow.

1.15 Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current period, the company has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2015.

IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 19	Employee Benefits - Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)
IAS 38	Intangible Assets - amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)
IFRS 7	Financial Instruments: Disclosures - deferral of mandatory effective date of IFRS 9 amendments to transition disclosures
IFRS 13	Fair Value Measurement - amendments resulting from Annual Improvements 2011-2013 Cycle (scope of Portfolio exception in paragraph 52)

2.2 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure Initiative (effective 01 January 2016)
IAS 7	Statement of Cashflows - Amendments as result of the disclosure Initiative (effective 01 January 2017)
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 01 January 2017)
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 01 January 2016)
IAS 16	Property, Plant and Equipment - Amendments bringing bearer plants onto the scope of IAS 16 (effective 01 January 2016)
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 01 January 2016)
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016))
IAS 38	Intangible Assets: Amendments regarding the clarification of acceptable methods of amortisation (effective 01 January 2016)
IAS 39	Financial Instruments - Amendments to permit an entity to elect to continue to apply the hedge accounting requirement in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 01 January 2018)
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 01 January 2016)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 01 January 2016)

Notes to the Financial Statements (continued)

2. New Standards and Interpretations (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

- IFRS 9 Financial Instruments: Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 01 January 2018)
- IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables) (Amendments to basis for conclusions only)
- IFRS 15 Revenue from Contracts with Customers - Amendments to defer the effective date to 01 January 2018 (effective 01 January 2018)
- IFRS 15 Revenue from Contracts with Customers - Original Issue (effective 01 January 2018)
- IFRS 16 Leases - Original Issue (effective 01 January 2019)

As at the date of issue of these financials statements, the Directors of the Company anticipate that the additional standards and interpretations that are issued and not effective, will not in future periods, have a significant impact on the financial statements of the Company.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

	2015	2014
3. Cash and cash equivalents		
Cash on hand	413,729	174,084
Bank balances	40,751,695	3,992,443
Bank overdraft	(1,104,632)	(7,892,793)
	40,060,792	(3,726,266)

Cash and cash equivalents consist of:

Current assets	41,165,424	4,166,527
Current liabilities	(1,104,632)	(7,892,793)
	40,060,792	(3,726,266)

The overdraft facility of GHS 8.83 million (2014: GHS 8.76 million) was obtained from Standard Chartered Bank Ghana Limited. An average interest of 29% (2014: 27%) was charged for the year.

4. Net advances

Gross advances	255,244,254	203,056,781
Impairment provision	(26,067,139)	(15,495,707)
	229,177,115	187,561,074

Gross advances		
Advances to customers	252,850,148	202,623,806
Deferred income	(6,931,253)	(4,451,350)
Deferred expenses	9,325,359	4,884,325
	255,244,254	203,056,781

Impairment provision		
Balance at 01 January	15,495,707	7,350,001
Net impairment recognised in profit or loss	14,218,966	12,554,365
Utilisation of allowance for Impairment	(3,647,534)	(4,408,659)
	26,067,139	15,495,707

Before accepting any new customer, the Company uses an internal credit scoring system to assess the potential customers, credit quality and defines credit limits by customer. There are no customers who represent more than 5% of the total balance of net advances. Included in gross advances is staff loan of GHS 1,046,554 (31 December 2014: GHS 709,579).

No penalty interest is charged on net advances in arrears. Impairment provisions are raised based on the specific risks attributable to each loan past due, measured according to ageing of the client, reason for non payment and recency of last payment received. In determining the recoverability of an advance, the Company considers any change in the credit quality of the net advance from the date credit was initially granted up to the reporting date. Terms of advances range from one month to sixty months.

Non-current assets	167,300,828	62,976,151
Current assets	61,876,287	124,584,923
	229,177,115	187,561,074

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

	2015	2014
5. Other receivables		
Current assets		
Employee costs in advance	17,677	13,528
Prepayments	9,503,544	2,927,659
Sundry debtors	86,561	1,079,190
	9,607,782	4,020,377
<p>No allowance has been made for estimated irrecoverable amounts as the Directors believe that the balances are fully recoverable.</p> <p>The Directors consider that the carrying amount of other receivables approximate their fair value.</p>		
6. Amount due from related parties		
CFC Savings and Loans Limited (previously known as Consumer Finance Company Limited)	-	4,225,239
Ghana Mine Workers Union	198,176	149,654
	198,176	4,374,893
<p>The amount represents unsecured loans granted during the normal course of business.</p>		
7. Deferred tax		
Deferred tax asset		
Non-current assets		
Accelerated capital allowances for tax purposes	569,776	49,210
Provision for impairment of advances	6,516,785	3,873,927
Unrealised exchange losses	789,748	5,490,438
	7,876,309	9,413,575
Reconciliation of deferred tax asset		
At beginning of the year	9,413,575	3,229,169
Originating temporary difference on tangible fixed assets	520,566	131,146
Originating temporary difference on provision for impairment of advances	2,642,858	2,036,426
Unrealised exchange losses	(4,700,690)	4,016,834
At end of the year	7,876,309	9,413,575

Notes to the Financial Statements (continued)
 Figures in Ghana Cedi

8. Property and equipment

Non-current assets

Cost

At 1 January 2014

Additions

Disposal

At 31 December 2014

Additions

Disposal

At 31 December 2015

Accumulated depreciation

At 1 January 2014

Charge for the year

Disposal

At 31 December 2014

Charge for the year

Disposal

At 31 December 2015

Carrying value

At 31 December 2015

At 31 December 2014

	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 1 January 2014	735,226	3,224,312	937,344	1,018,987	488,328	6,404,197
Additions	488,038	1,302,399	457,040	462,363	1,905,315	4,615,155
Disposal	-	(1,479,431)	-	-	-	(1,479,431)
At 31 December 2014	1,223,264	3,047,280	1,394,384	1,481,350	2,393,643	9,539,921
Additions	265,327	1,015,343	1,025,725	421,834	871,906	3,600,135
Disposal	-	(165,017)	-	-	-	(165,017)
At 31 December 2015	1,488,591	3,897,606	2,420,109	1,903,184	3,265,549	12,975,039
At 1 January 2014	482,884	1,346,839	376,704	755,189	153,962	3,115,578
Charge for the year	135,843	695,966	185,549	178,068	607,151	1,802,577
Disposal	-	(391,417)	-	-	-	(391,417)
At 31 December 2014	618,727	1,651,388	562,253	933,257	761,113	4,526,738
Charge for the year	192,574	696,041	364,471	325,865	816,536	2,395,487
Disposal	-	(154,603)	-	-	-	(154,603)
At 31 December 2015	811,301	2,192,826	926,724	1,259,122	1,577,649	6,767,622
At 31 December 2014	677,290	1,704,780	1,493,385	644,062	1,687,900	6,207,417
At 31 December 2015	604,537	1,395,892	832,131	548,093	1,632,530	5,013,183

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	2015	2014
8. Property and equipment (continued)		
Assets subject to finance lease (Net carrying amount)		
Motor vehicles	649,915	1,085,300
Office equipment	26,402	50,772
	676,317	1,136,072
9. Intangible assets		
Non current assets		
Cost		
At 1 January 2014		Computer Software 251,131
Additions		125,212
At 31 December 2014		376,343
Additions		765,401
At 31 December 2015		1,141,744
Accumulated Depreciation		
At 1 January 2014		Computer Software 58,974
Charge for the year		102,836
At 31 December 2014		161,810
Charge for the year		225,277
At 31 December 2015		387,087
Carrying value		
31 December 2015		Computer software 754,657
31 December 2014		214,533
10. Share capital		
Authorised 20,000,000,000 Ordinary shares		
Issued 11,303,000,000 Ordinary shares		
	10,000,000	10,000,000
There is no unpaid liability on any share and there are no calls or installments in arrears.		
11. Statutory reserve		
The statutory reserve fund represents the cumulative amount set aside from annual profit after tax as required by (Section b, rule 5) of the Non-Bank Financial Institutions Business Rules. The proportion of net profit transferred to this reserve ranges from 15% to 50% of net profit after tax depending on the ratio of the existing statutory reserve fund to paid up capital.		
Opening balance as at 01 January	13,535,846	13,347,413
Transfer from income surplus account	786,671	188,433
	14,322,517	13,535,846

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

	2015	2014
12. Regulatory credit risk reserve		
The account is used to record the excess of impairment as per the Bank of Ghana rules over the impairment based on International Accounting Standard. The excess is transferred from the income surplus to the regulatory credit risk reserve.		
Opening balance	12,082,824	11,527,160
Transfer from Income surplus account	(2,738,224)	555,664
Closing balance	9,344,600	12,082,824
13. Trade and other payables		
Current liabilities		
Trade payables	111,257	134,806
VAT	2,336,316	1,122,261
Accrued expenses	8,287,790	3,679,679
Deferred income PPE (sale and lease back)	79,872	118,210
	10,815,235	5,054,956
14. Deposit from customers		
Deposit from customers	1,211,721	265,724
15. Amounts due to related parties		
Actvest (Proprietary) Ltd		
<i>The amount represents unpaid professional fees.</i>	21,769,459	7,600,809
Current liabilities	21,769,459	7,600,809
16. Provisions		
Current liabilities		
Payroll related provisions		
Opening balance	1,007,967	548,547
Additions	1,366,152	1,962,320
Utilised during the year	(1,372,081)	(1,502,900)
Closing Balance	1,002,038	1,007,967

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	2015	2014	
17. Finance lease obligation			
Minimum lease payments due	561,197	565,893	
- within one year	339,131	900,328	
- In second to fifth year inclusive	900,328	1,466,221	
	(159,898)	(396,665)	
less: future finance charges	740,430	1,069,556	
Present value of minimum lease payments			
Present value of minimum lease payments due	561,197	329,127	
- within one year	179,233	740,429	
- In second to fifth year inclusive	740,430	1,069,556	
	179,233	740,429	
Non-current liabilities	561,197	329,127	
Current liabilities	740,430	1,069,556	
<p>Finance leases relate to motor vehicles and office equipment with lease terms up to 60 months. The Company has option to purchase the assets for a nominal amount at the conclusion of the lease agreement.</p> <p>The Company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.</p>			
18. Borrowings			
Held at amortised cost	(i)	78,546,920	-
Bond	(ii)	13,734,000	8,775,000
Standard Chartered Bank Ghana Limited	(ii)	1,200,000	2,700,000
Old Mutual Insurance (formerly: Provident Life Assurance Company Limited)	(ii)	1,666,667	3,000,000
Societe Generale Ghana	(ii)	4,166,667	7,500,000
Social Security and National Insurance Trust (SSNIT)	(ii)	16,827,190	11,000,000
Data Bank Financial Services Limited	(ii)	6,111,111	9,444,444
First Atlantic Bank	(ii)	3,472,222	-
Fidelity Bank Ghana Limited		125,724,777	42,419,444
<p>(i) Terms of the bond is 3 years and interest rates range from 28% to 28.35% per annum.</p> <p>(ii) Term loans include funding received by the company from local banks and financial institutions. Terms of the loans vary from 1 year to 3 years and interest rates vary from 25.50% to 33.30% per annum.</p>			
Non-current liabilities		84,296,920	11,944,444
At amortised cost		41,427,857	30,475,000
Current liabilities		125,724,777	42,419,444
At amortised cost			
19. Loans from shareholders			
Bayport Management Ltd		36,046,084	56,064,948
<i>The loan is unsecured and interest is charged at 12% plus LIBOR per annum.</i>			
Non-current liabilities		36,046,084	56,064,948

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Notes to the Financial Statements (continued)

Figures in Ghana Cedi

	2015	2014
20. Interest income		
Loans and advances	107,359,827	78,889,002
21. Interest expense		
Interest on shareholder's loans	9,817,346	6,723,484
Interest on bank overdrafts and borrowing	18,213,474	9,073,261
	<u>28,030,820</u>	<u>15,796,745</u>
22. Other income		
Fees and commissions	5,988,730	4,532,829
Other operating income	834,942	1,297,281
	<u>6,823,672</u>	<u>5,830,110</u>
23. Profit before taxation		
Profit before taxation for the year is stated after accounting for the following:		
Operating lease charges		
Premises	888,004	484,821
Contractual amounts		
Profit on sale of property and equipment	114,979	35,866
Amortisation of intangible asset	225,277	102,836
Depreciation on property and equipment	2,395,487	1,802,576
Employee costs	13,741,159	11,097,722
Legal fees	94,519	91,139
Foreign exchange loss	11,990,072	17,307,164
24. Taxation		
24.1 Corporate tax		
At 01 January		
Paid during the year	2,112,197	1,516,894
Charged during the year	(2,602,817)	(6,261,771)
At 31 December	528,562	6,857,074
	<u>37,942</u>	<u>2,112,197</u>
24.2 National stabilization levy		
At 01 January		
Paid during the year	(216,979)	466,482
Charged during the year	(370,430)	(784,981)
At 31 December	384,753	101,520
	<u>(202,656)</u>	<u>(216,979)</u>

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	2015	2014
24. Taxation (continued)		
24.3 Withholding tax credits		
At 01 January	(94,596)	(42,291)
Charged during the year	(70,400)	(52,305)
At 31 December	(164,996)	(94,596)
24.4 Major components of the tax expense		
Current		
Local income tax - current year	528,562	6,857,074
National stabilisation levy	384,753	101,520
	913,315	6,958,594
Deferred		
Originating and reversing temporary differences	1,537,266	(6,184,406)
	2,450,581	774,188
24.5 Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Profit before taxation	7,695,052	2,030,409
Tax at the applicable tax rate of 25%	1,923,763	507,602
Tax effect of adjustments on taxable income		
Non-deductible expenses	142,065	165,066
National Stabilisation Levy rate of 5% (effective 15 July 2013)	384,753	101,520
	2,450,581	774,188
25. Auditor's remuneration		
Fees	102,500	89,320
The audit fees are for both statutory and group reporting.		
26. Cash used in operations		
Profit before taxation	7,695,052	2,030,409
Adjustments for:		
Depreciation and amortisation	2,620,764	1,905,413
Profit on sale of property and equipment	(114,979)	(35,866)
Loss on foreign exchange	12,819,472	17,485,731
Increase in provision for credit impairment	10,571,438	8,145,705
(Decrease)/Increase in provisions	(5,929)	459,420
Changes in working capital:		
Increase in gross advances	(52,187,473)	(57,567,978)
Increase in other receivables	(5,587,405)	(2,050,336)
Net increase in amount due from fellow subsidiary	4,225,239	(4,225,239)
Net increase in amount due from GMWU	(48,522)	(149,654)
Increase in trade and other payables	6,706,271	1,839,202
	(13,306,072)	(32,163,193)

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

	2015	2014
27. Current tax (receivable)/payable		
Balance at beginning of the year	1,895,218	1,983,376
Current tax for the year recognised in profit or loss (note 24.4)	913,315	6,958,594
Tax paid	(2,973,247)	(7,046,752)
Balance at the end of the year	(164,714)	1,895,218
28. Related parties		
Relationships		
Bayport Management Ltd		Parent Company
Ghana Mine Workers Union ("GMWU")		Minority shareholder
CFC Saving and Loans Limited ("CFC")		Fellow subsidiary
(previously known as Consumer Finance Company limited)		
Actvest (Proprietary) Limited		Entity under common shareholding
Related party balances		
Amounts owed by related parties		
CFC Saving and Loans Limited		4,225,239
Ghana Mine Workers Union	198,176	149,654
Amounts owing to related parties		
Bayport Management Ltd		56,064,948
Actvest (Proprietary) Limited	36,046,084	7,600,809
Related party transactions		
Interest charged - Bayport Management Ltd		6,723,484
Professional fees charged - Actvest (Proprietary) Limited	9,817,346	5,129,131
Interest charged - Actvest (Proprietary) Limited	7,178,418	448,505
Compensation of directors and key management personnel		
Short terms employee benefits	4,596,837	3,831,014
Post-employment benefits	514,815	399,832
	5,111,652	4,230,846

Notes to the Financial Statements (continued)

Figures in Ghana Cedi 2015 2014

29. Risk management

29.1 Capital risk management

The Company's objectives when managing capital are to comply with the capital requirements set by the Bank of Ghana, to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

At present the Bank of Ghana requires non-bank financial institutions to maintain a capital adequacy ratio (regulatory capital to weighted risk assets) at a minimum of 10%.

Regulatory capital as defined by the Bank of Ghana has two components:

Tier 1 capital: share capital arising on permanent shareholders' equity, Income surplus and reserves created by appropriations of income surplus. The book value of any goodwill must be deducted in arriving at Tier 1 capital; and

Tier 2 capital: qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to qualify as subordinated loan capital, it should possess the following attributes:

- should be unsecured;
- repayment is subordinated to other debt instruments;
- should have a minimum original fixed term to maturity of over 5 years; and
- not available to absorb the losses of a company which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier 1 capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the company at the reporting dates.

Paid-up capital	10,000,000	10,000,000
Disclosed reserves	77,392,618	69,409,923
Tier 1 capital	87,392,618	79,409,923
Total assets	285,806,994	202,681,338
Less:		
Cash and cash equivalents	(41,165,424)	(4,166,527)
Adjusted total assets	244,641,568	198,514,811
100% of 3 years average annual gross income	115,698,969	71,183,782
Adjusted asset base	360,340,537	269,698,593
Capital adequacy ratio	24.25 %	29.44 %

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the Bank of Ghana guidelines for supervisory purposes.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

	2015	2014
29. Risk management (continued)		
29.1 Capital risk management (continued)		
The gearing ratio at 31 December 2015 and 31 December 2014 respectively were as follows:		
Total borrowings		
Loans from shareholders	19 36,046,084	56,064,948
Finance lease obligation	17 740,430	1,069,556
Borrowings	18 125,724,777	42,419,444
	162,511,291	99,553,948
Less: Cash and cash equivalents		
Net debt	3 (40,060,792)	3,726,266
Total equity	122,450,499	103,200,214
Total capital	96,737,218	91,492,747
Gearing ratio	219,187,717	194,772,961
	56 %	53 %
29.2 Categories of financial instruments		
Financial assets		
<u>Loans and receivables</u>		
Net advances	226,783,009	187,561,074
Other receivables	86,561	1,092,718
Amount due from related party	198,176	4,374,893
Cash and cash equivalents	41,165,424	4,166,527
	268,233,170	197,195,212
Financial liabilities		
<u>At amortised cost</u>		
Finance lease obligation	740,430	1,069,556
Bank overdraft	1,104,632	7,892,793
Borrowings	125,724,776	42,419,444
Deposit from customers	1,211,721	265,724
Other payables	8,588,282	5,054,956
Amounts due to related parties	21,769,459	7,600,809
Loans from shareholders	36,046,084	56,064,948
	195,185,384	120,368,230
29.3 Financial risk management		

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

29. Risk management (continued)

29.4 Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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

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

	0 - 3 months	4 - 12 months	1 - 5 years	Total
31 December 2015				
Cash flows from financial assets				
Net advances	46,777,009	125,467,846	315,053,478	487,298,333
Other receivables	86,561	-	-	86,561
Amount due from related party	-	198,176	-	198,176
Cash and cash equivalents	41,165,424	-	-	41,165,424
Cash flows from financial assets	88,028,994	125,666,022	315,053,478	528,748,494
Cash flows from financial liabilities				
Finance lease	140,299	420,898	339,131	900,328
Bank overdraft	1,104,632	-	-	1,104,632
Borrowings	7,118,582	90,505,706	148,179,875	245,804,163
Deposit from customers	263,121	448,600	500,000	1,211,721
Trade and other payables	8,588,282	-	-	8,588,282
Amount due to related parties	5,000,000	16,769,459	-	21,769,459
Loans from shareholders	36,438,806	-	-	36,438,806
Cash flows from financial liabilities	58,653,722	108,144,663	149,019,006	315,817,391
Net liquidity gap	29,375,272	17,521,359	166,034,472	212,931,103
31 December 2014				
Cash flows from financial assets	47,055,714	99,226,238	237,728,890	384,010,842
Cash flows from financial liabilities	47,321,438	66,802,853	15,479,726	129,604,017
Net liquidity gap	(265,724)	32,423,385	222,249,164	254,406,825

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

29. Risk management (continued)

29.5 Interest rate risk

The objective of the entity's interest rate risk management process is to manage and control interest rate exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Interest rate risk is the risk that movements in interest rates will reduce the entity's income or capital.

A principal part of the entity's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The entity aims, through its management of interest rate risk, to mitigate the impact of prospective interest rate movements which could reduce future earnings and capital.

Sensitivity analysis - Increase/decrease of 10% in net interest margin

The interest rate risks sensitivity analysis is based on the following assumptions:

- Changes in the market interest rates affect the interest income or expenses of variable financial instruments;
- Changes in the market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair values;
- The interest rate changes will have an effect on interest sensitive assets and liabilities and hence simulation modelling is applied to financial instruments which are quoted at variable interest rates; and
- The projections make other assumptions including that all positions run to maturity.

The table below sets out the impact on current profit after taxation and equity of an incremental 10% parallel fall or rise on all yield curves at the beginning of the current financial year beginning on 1 January 2015.

31 December 2015
 Profit after tax
 Equity

Amount	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect of 10% decrease in variable interest rates
5,244,471	3,830,124	6,658,618
96,737,218	95,322,671	98,151,565

31 December 2014
 Profit after tax
 Equity

Amount	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect of 10% decrease in variable interest rates
1,256,221	562,488	1,949,954
91,492,747	90,799,018	92,186,483

Assuming no management actions an increase in interest rates a rise would decrease the Company's profit after tax for the year by GHS 1,414,347 (31 December 2014: GHS 693,733) and equity by GHS 1,414,347 (31 December 2014: GHS 693,733), while a fall would increase profit after tax and equity by the same amounts.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

29. Risk management (continued)

29.6 Foreign exchange risk

The company has certain borrowing in foreign currency and is exposed to foreign exchange risk arising from various currency exposures. Consequently the Company is exposed to the risk that the carrying amounts of these foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange rates.

The Company's currency position is as follows:

	GHS	USD	ZAR	GBP	Total
31 December 2015					
Assets					
Net Advances	226,783,009	-	-	-	226,783,009
Trade and other receivables	86,561	-	-	-	86,561
Amount due from related party	198,176	-	-	-	198,176
Cash and cash equivalents	32,304,788	8,860,638	811	2,008	41,168,245
Total financial assets	259,372,534	8,860,638	811	2,008	268,235,991
Liabilities					
Borrowings	125,724,776	-	-	-	125,724,776
Deposit from customers	1,211,721	-	-	-	1,211,721
Trade and other payables	8,588,282	-	-	-	8,588,282
Amount due to related parties	-	21,769,459	-	-	21,769,459
Finance lease obligations	740,430	-	-	-	740,430
Loans from shareholders	-	36,046,084	-	-	36,046,084
Bank Overdraft	1,104,632	-	-	-	1,104,632
Total financial liabilities	137,369,841	57,815,543	-	-	195,185,384
Net financial position	122,002,693	(48,954,905)	811	2,008	73,050,607
	GHS	USD	ZAR	GBP	Total
31 December 2014					
Total financial assets	196,616,095	579,118	-	-	197,195,213
Total financial liabilities	(52,787,347)	(63,665,757)	-	-	(116,453,104)
Net financial position	143,828,748	(63,086,639)	-	-	80,742,109

The objective of the entity's foreign exchange risk management is to manage and control foreign exchange exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Foreign exchange risk is the risk that movements in foreign exchange rates will reduce the entity's income or capital.

A principal part of the entity's management of foreign exchange risk is to monitor the sensitivity of future earnings and capital to varying foreign exchange rates. The entity aims, through its management of foreign exchange risk, to mitigate the impact of foreign exchange fluctuations which could reduce future earnings and capital.

Foreign exchange risks - appreciation/depreciation of GHS against other currencies by 10%

The foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Cedi,
- The currency sensitivity analysis is based on the assumption that all net currency positions are highly effective,
- The base currencies which the entity's business are transacted is Cedi.

The table below sets out the impact on current earnings of and incremental 10% parallel fall or rise in all foreign currencies at the beginning of the current financial year from 1 January 2015.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

29. Risk management (continued)

29.6 Foreign exchange risk (continued)

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

31 December 2015
 Profit after tax
 Equity

Amount	Scenario 1 Effect after 10% appreciation	Scenario 1 Effect after 10% depreciation
5,244,471	1,573,064	8,915,878
96,737,218	93,065,811	100,408,625

31 December 2014
 Profit after tax
 Equity

Amount	Scenario 1 Effect after 10% appreciation	Scenario 1 Effect after 10% depreciation
1,256,221	(3,475,277)	5,987,719
91,942,747	86,761,252	96,224,248

Assuming no management actions an appreciation in the Cedi would increase profit after tax for the year by GHS- 3,671,407 (31 December 2014: GHS - 4,731,498) and equity by GHS-3,671,407 (31 December 2014: GHS - 4,731,498), while a fall would increase profit after tax and equity by the same amounts

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

29.7 Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the entity's portfolio, could result in losses that are different from those provided for at the reporting date. Management, therefore carefully manages its exposure to credit risk.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The Company provides short term facilities mainly to government workers for which collaterals are not required.

30. Contingent liability

There are no contingent liabilities at the end of the reporting period.

31. Capital commitments

There are no capital commitments at the end of the reporting period.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

32. Fair value measurements

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.

Fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required).

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

33. Events after the reporting period

Listing on the Ghana Alternative Market (GAX)

In January 2016, the Company listed a total of GHS 78.55million Medium-Term Notes on the Ghana Alternative Market (GAX) of the Ghana Stock Exchange. This issue comprises a fixed rate notes of GHS 69.27 million and GHS 9.27 million floating rate notes. The Note Programme is to raise GHS 200 million over a three year period as and when funds are needed.

The Company has therefore been converted from a private company to a public company and is now incorporated as "Bayport Financial Services Ghana Plc Limited" as of 17 March 2016