IZWE LOANS LIMITED

Financial statements
for the year ended 31 December 2015

General Information

Country of incorporation and domicile	Ghana
Nature of business and principal activities	Micro finance, financial services and all related activities
Directors	Abedi Pele Ayew David Eugene Fichardt Fred Ocrah Arkoh Lance Graham Cleaver Raymond K. Bismarck Samuel Yeboah
Registered office	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra
Business address	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra
Holding company	African Micro-Finance Equities incorporated in Mauritius
Ultimate holding company	Izwe Africa Holdings incorporated in Mauritius
Auditor	KPMG Chartered Accountants 13 Yiyiwa Drive PO Box GP 242 Abelenkpe, Accra
Company registration number	CS401592014

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Directors' Report

The directors have the pleasure in submitting their report on the financial statements of Izwe Loans Limited for the year ended 31 December 2015.

1. Nature of business

Izwe Loans Limited was incorporated in Ghana with interests in the micro lending finance industry. The company operates in Ghana with its registered office at, Maestro Plaza, Kotobabi Main Road, Pig Farm, Accra. There have been no material changes to the nature of the company's business from the prior year.

The company is authorised and licensed by the Bank of Ghana (BoG) as a non-bank financial institution. This status accords the company the legal and regulatory mandate to receive and intermediate deposits, as well as disburse loans.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of 1963 (Act 179) of Ghana and the Non-Bank financial Institutions Act 2008 (Act 774). The accounting policies have been applied consistently compared to the prior year.

The company recorded a net profit after tax for the period ended 31 December 2015 of GH¢ 1,809,034, in comparison to the net loss after tax of the prior year of GH¢(5,227,248).

The Company's interest income increased by 33% from GH¢40,728,151 in the prior year to GH¢54,190,582 for the year ended 31 December 2015.

The Company's cash generated from operating activities was GH¢ (37,123,930) in the prior year and GH¢(20,051,768) for the year ended 31 December 2015.

3. Share capital

There have been no changes to the authorised or issued share captial during the year under review.

4. Directorate

The directors in office at the date of this report are as follows:

Directors	Nationality	Designation
Abedi Pele Ayew	Ghanaian	Non-executive
David Eugene Fichardt	South African	Non-executive
Fred Ocrah Arkoh	Ghanaian	Non-executive
Lance Graham Cleaver	South African	Non-executive
Raymond K. Bismarck	Ghanaian	Executive
Samuel Yeboah	Ghanaian	Executive

5. Directors' interests in shares

Abedi Pele Ayew holds 10% of the Company's ordinary shares.

Directors' Report

6. Property and equipment

There was no change in the nature of the property and equipment of the company or in the policy regarding their use.

At 31 December 2015 the company's investment in property and equipment amounted to GH¢1,251,310 (2014: GH¢663,919), of which GH¢ 961,053 (2014: ¢ 232,207) was added in the current year through additions.

In the opinion of the director's, the recoverable amounts of the items of property and equipment are not worth less than the amounts at which they are included in the financial statements.

7. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

9. Auditors

KPMG continued in office as auditors for the company for 2015.

10. Secretary

The company secretary is Trustee Services Limited with the following business address:
No. 4 Momotse Avenue
Adabraka
Accra

11. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 31 March 2016. No authority was given to anyone to amend the financial statements after the date of issue.

12. Key management emoluments

Key management emoluments for the period amounted to GH¢ 738,659 (2014: GH¢ 695,379)

13. Loans to key management

Loans to key management for the period amounted to GH¢ 396,243 (2014: GH¢ 228,194)

Directors' Report

14. Employees

At the end of the year, the toal number of employees of the Company was at 114 (2014: 104). The related salaries and wages was GH¢ 3,221,074 (2014: GH¢ 2,398,183)

15. Gift and donations

The Company did not make any donations to charities. No donations were made to political organisations.

16. Gorporate governance

The Board of Directors hereby confirms that the Company has complied with all the internal control aspects of the principles of good corporate governance.

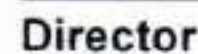
The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and comply with the Companies Act of 1963(Act 179) and the Banking and Financial Institutions Acts of Ghana.

There have been no contracts of significance subsisting during or at the end of the financial year in which any Director or any substantial shareholder has been materially interested.

Approval of financial statements

The financial statements set out on page 9 to 40 which have been prepared on the going concern basis, were approved by the board of directors on 31 March 2016 and were signed on its behalf by:

Director



Director

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of 1963 (Act 179) of Ghana 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 and the Non-Bank Financial Institution Act 2008 (Act 774) . 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 the Non-Bank Financial Institution Act 2008 (Act 774) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

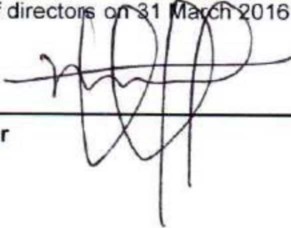
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error, fraud 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.

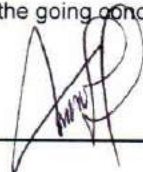
The directors have reviewed the company's cash flow forecast for the year to 31 December 2016 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on page s 7 to 8.

The financial statements set out on page 9 to 40 which have been prepared on the going concern basis, were approved by the board of directors on 31 March 2016 and were signed on their behalf by:



Director



Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

IZWE LOANS LIMITED

Report on the Financial Statements

We have audited the financial statements of IZWE Loans Limited, which comprise the statement of financial position at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 40.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963, (Act 179) and the Non-Bank Financial Institutions Act, 2008 (Act 774), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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, these financial statements give a true and fair view of the financial position of IZWE Loans Limited at 31 December 2015, and of its financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 1963, (Act 179) and the Non-Bank Financial Institutions Act, 2008 (Act 774).

KPMG, a partnership established under Ghanaian law, is a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

N.A. Dodoo
A.K. Sarpong
N.A. Ayivor
J. Coleman

E.O. Asiedu
D.S. Adoteye
K. Frempong-Kore

N.D. Harley
A.O. Akoto
F. Dennis

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
IZWE LOANS LIMITED - (CONT'D)**

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 and fifth Schedule of the Companies Act 1963, (Act179) and Section 27 of the Non-Bank Financial Institutions Act, 2008 (Act 774).

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept and the statements of financial position and the statement of comprehensive income are in agreement with the books of account.

KPMG

SIGNED BY: FREDERICK NYAN DENNIS (ICAG/P/1426)
FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2016/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

31 March, 2016

KPMG, a partnership established under Ghanaian law, is a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

N.A. Dodoo, A.K. Sarpong, N.A. Ayivor, J. Coleman, E.O. Asiedu, D.S. Adoteye, K. Frempong-Kore, N.D. Harley, A.O. Akoto, F. Dennis

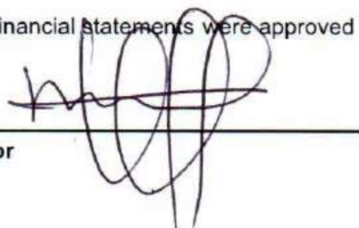
Izwe Loans Limited

(Registration number CS401592014)
Financial Statements for the year ended 31 December 2015

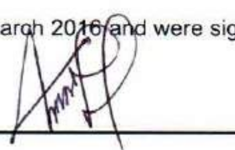
Statement of Financial Position

	Notes	2015 GH¢	2014 GH¢
Assets			
Cash and cash equivalents	3	12,684,996	35,547,162
Property and equipment	4	1,251,310	663,919
Net advances	6	117,395,494	93,377,405
Deferred taxation asset	7	2,228,999	4,987,518
Other assets	8	7,741,336	6,440,474
Intangible assets	5	208,029	154,280
Financial Investment	3	839,850	13,093,537
Total Assets		**142,350,014**	**154,264,295**
Liabilities			
Bank overdraft	3	30,039	1,159,279
Trade and other payables	13	8,428,922	7,981,051
Loans from related party	23	-	37,220,580
Loans and borrowings	10	117,406,078	90,073,372
Current tax liability	21	161,414	384,371
Derivative liabilities	11&12	387,966	3,319,081
Total Liabilities		**126,414,419**	**140,137,734**
Equity			
Stated capital	9	18,413,305	18,413,305
Retained earnings	9	(2,477,710)	(4,286,744)
Total Equity		**15,935,595**	**14,126,561**
Total Equity and Liabilities		**142,350,014**	**154,264,295**

These financial statements were approved by the board of directors on 31 March 2016 and were signed on its behalf by:



Director



Director

The notes on pages 13 to 40 are an integral part of these financial statements

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2015 GH¢	2014 GH¢
Interest and similar income	14	54,190,582	40,728,151
Interest and similar expenses	15	(33,852,607)	(18,201,900)
Net Interest income		**20,337,975**	**22,526,251**
Fee and commission income	16	7,771,899	6,936,424
Fee and commission expense	16	(3,755,338)	(2,062,525)
Net fee and commission income		**4,016,561**	**4,873,899**
Total operating income		**24,354,536**	**27,400,150**
Other income	6	445,620	135,133
Net operating income		**24,800,156**	**27,535,283**
Personnel costs	17	(3,221,074)	(2,398,183)
Depreciation	4	(348,095)	(221,416)
Other operating expenses	18	(10,212,290)	(9,264,588)
Amortisation	5	(126,621)	(76,185)
Impairment loss on financial assets	6	(6,366,906)	(7,091,904)
Gain/(loss) on exchange differences		273,944	(15,818,896)
Total operating expenses		**(20,001,042)**	**(34,871,172)**
Profit (loss) before taxation		**4,799,114**	**(7,335,889)**
Taxation	19	(2,990,080)	2,108,641
Profit (loss) for the year		**1,809,034**	**(5,227,248)**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the equity shareholder of the company		**1,809,034**	**(5,227,248)**

Izwe Loans Limited

(Registration number CS401592014)
Financial Statements for the year ended 31 December 2015

Statement of Changes in Equity

	Stated capital GH¢	Retained earnings GH¢	Total equity GH¢
Balance at 01 January 2014	18,413,305	940,504	19,353,809
Total comprehensive Loss for the year	-	(5,227,248)	(5,227,248)
Balance at 01 January 2015	**18,413,305**	**(4,286,744)**	**14,126,561**
Total comprehensive income for the year	-	1,809,034	1,809,034
Balance at 31 December 2015	**18,413,305**	**(2,477,710)**	**15,935,595**

The notes on pages 13 to 40 are an integral part of these financial statements

Statement of Cash Flows

	Note(s)	2015 GH¢	2014 GH¢
Cash flows from operating activities			
Cash generated from operations	20	14,255,356	(15,351,977)
Interest expense		(33,852,607)	(18,201,900)
Tax paid	21	(454,517)	(3,570,053)
Cash used in operating activities		**(20,051,768)**	**(37,123,930)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(961,053)	(232,207)
Sale of property, plant and equipment	4	25,567	-
Purchase of other intangible assets	5	(180,370)	(117,478)
Change in financial assets		12,253,687	(13,093,537)
Net cash from/(used in) investing activities		**11,137,831**	**(13,443,222)**
Cash flows from financing activities			
Change in loans and borrowings		27,332,706	71,466,793
Movement in derivative liabilities		(2,931,115)	3,319,081
Change in amount due to related parties		-	(598,407)
Repayment of related parties		(37,220,580)	-
Net cash (used in)/from financing activities		**(12,818,989)**	**74,187,467**
Total cash movement for the year		**(21,732,926)**	**23,620,315**
Cash at the beginning of the year		34,387,883	10,767,568
Total cash at end of the year	3	**12,654,957**	**34,387,883**

Significant Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Non-Bank Financial Institution Act 2008 (Act 774), and the Companies Act. The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit and loss which have been measured at fair value, and incorporates the principal accounting policies set out below. They are presented in Ghanaian Cedis, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Impairment of financial assets

The company makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets.

Impairment of financial assets

The company assesses at least at each financial year end whether there is any evidence that non financial assets may be impaired. Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial instruments

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired assets is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for groups of homogeneous loans that are not considered individually significant; and groups of assets that are individually significant but that were not found to be individually impaired (loss "incurred but bot reported" or IBNR).

The collective allowance for groups of homogenous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rate are regularly benchmarked against actual loss experience.

Significant Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Derivative financial instruments

Derivative, which comprise forward foreign exchange contracts and swaps, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the statement of financial position date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the income statement.

Debt securities issued and subordinated liability

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transactions costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profit and loss.

1.2 Property and equipment

Property and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one year.

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.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 Years
Motor vehicles	Straight line	5 Years
IT equipment	Straight line	3 Years
Computer software	Straight line	3 Years

Useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Significant Accounting Policies

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any 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

Software acquired is measured at cost less accumulated amortisation and any accumulated impairment losses.Expenditure on internally developed software is recognised as an asset to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the cost to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Amortisations methods, useful lives and residual values are reviewed at teach reporting date and adjusted if appropriate.

1.4 Financial instruments

Classification

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

- Financial assets at fair value through profit or loss - held for trading
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

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, except for equity investments for which a fair value is not determinable.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

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

Significant Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

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 of financial assets and liabilities

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.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activities.

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.

Loans and receivables

Loans and 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.

Net advances and Trade and other receivables are classified as loans and receivables.

Significant Accounting Policies

1.4 Financial instruments (continued)

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 comprise cash on hand and demand deposits, and 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. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, 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 over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

1.5 Taxation

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 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 to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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.

Significant Accounting Policies

1.5 Taxation (continued)

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, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognised:

Interest income and expenses

Interest income and expense are recognised in profit or loss for all instruments measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income includes interest earned on loans and advances and interest expense includes interest accrued on amounts due to related parties and borrowing for onward lending.

Commission and fees

Fees and commission income and expenses relate mainly to transaction and service fees, which are recognised as the services are rendered.

Other fees and commission income, including account servicing fees, investment management fees and sales commission are recognised as the related services are performed. Other fees and commission expenses relate to transactions and service fees, which are expensed as the services are provided.

Dividends

Dividends are recognised in the period in which they are declared. Dividends declared after reporting date are disclosed in the notes to the accounts.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's statement of financial position.

Significant Accounting Policies

1.7 Provision

The company recognises provisions when it has a present obligation (legal or constructive) as a result of a past event and 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 amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Contingent liabilities and contingent assets are disclosed in the notes to the financial statements.

1.8 Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the company's shareholders.

1.9 Employee benefits

The Company contributes to a defined contribution scheme (The Social Security Fund) on behalf of employees.

Social secutiry contributions

This is a national pension scheme under which the Company pays 13% of qualifying employees' basic monthly salaries to a state managed Social Secutity Fund for the benefit of the employees. All employers contributions are charged to the income statement as incurred and included under staff costs.

Significant Accounting Policies

1.10 Translation of foreign currencies

Foreign currency transactions

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

Notes to the Financial Statements

	2015	2014
	GH¢	GH¢

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2016 or later periods:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 01 January 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The company expects to adopt the standard for the first time in the first annual financial period after the effective date.

The impact of this standard is currently being assessed.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2017.

The company expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The company expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Disclosure Initiative - Amendments to IAS 1

Addi The amendmentss provide additional guidance on the application of materiality and aggregation when preparing financial statements. This amendment will not have a significant impact on the Company's financial statements.

The effective date of the amendments is for years beginning on or after 1 January 2016.

The company expects to adopt the amendments for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015 GH¢	2014 GH¢
Cash on hand	73,136	115,083
Balances held with bank	12,611,860	35,432,079
	12,684,996	**35,547,162**
Bank overdraft	(30,039)	(1,159,279)

The Company has a GH¢ 12,000,000 overdraft facility with Standard Chartered Bank Ghana Limited for the purpose of meeting working capital requirements. The facility is payable on demand on notice from the bank and reviewable in September 2016. Current interest charge is 29% and this is subject to change in line with market conditions.

	2015 GH¢	2014 GH¢
Current assets	12,684,996	35,547,162
Current liabilities	(30,039)	(1,159,279)
	12,654,957	**34,387,883**

Financial Investment

The financial investment of GH¢ 13,093,537 in 2014 was collateral held with banks, dominated in USD and interest was earned at 4%.

For 2015, collateral of GH¢ 839,850 is held against the Standard Chartered Bank Ghana Limited term facility. It is denominated in USD and is up for renewal at the end of 2015.

4. Property and equipment

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	561,825	(196,698)	365,127	368,463	(121,647)	246,816
Motor vehicles	801,542	(282,184)	519,358	512,574	(193,291)	319,283
IT equipment	690,650	(323,825)	366,825	276,756	(178,936)	97,820
Total	**2,054,017**	**(802,707)**	**1,251,310**	**1,157,793**	**(493,874)**	**663,919**

Reconciliation of property and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	246,816	196,150	(2,555)	(75,284)	365,127
Motor vehicles	319,283	343,968	(23,012)	(120,881)	519,358
IT equipment	97,820	420,935	-	(151,930)	366,825
	663,919	**961,053**	**(25,567)**	**(348,095)**	**1,251,310**

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

Reconciliation of property and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	225,362	77,864	(56,410)	246,816
Motor vehicles	322,121	95,200	(98,038)	319,283
IT equipment	105,645	59,143	(66,968)	97,820
	653,128	**232,207**	**(221,416)**	**663,919**

5. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	470,625	(262,596)	208,029	290,254	(135,974)	154,280

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	154,280	180,370	(126,621)	208,029

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	112,987	117,478	(76,185)	154,280

6. Net advances

Net advances		
Gross loans and advances to customers	126,106,788	100,966,419
Less: Allowance for impariment	(8,711,294)	(7,589,014)
	117,395,494	**93,377,405**

Analysis of allowances for impairment on loans and advances to customers		
Opening balance	(7,589,014)	(4,696,418)
Impairment loss write off	5,244,626	4,199,308
Movement in allowance for the year recognised in income	(6,366,906)	(7,091,904)
Balance as at 31 December	**(8,711,294)**	**(7,589,014)**

Loans and receivables past due but not impaired

Izwe Loans Limited does not have any loans that are past due but not impaired as at 31 December 2015 (2014: GH¢ 433,338).

The Company considers a loan that is in arrears for more than 60 days as past due. A provision for future impairment losses has been provided on these loans in terms of the Company's provisioning policy.

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

6. Net advances (continued)

The ageing of these loans is as follows:

2015	**Gross**	**Impairment**	**Net**
Current 0 - 60 days	101,143,404	(1,002,250)	100,141,154
Past due over 60 days	24,963,384	(7,709,044)	17,254,340
	126,106,788	**(8,711,294)**	**117,395,494**

2014	**Gross**	**Impairment**	**Net**
Current 0 - 60 days	74,562,858	(1,683,890)	72,878,968
Past due over 60 days	26,403,561	(5,905,124)	20,498,437
	100,966,419	**(7,589,014)**	**93,377,405**

During the year under review, the Company recovered GH¢ 445,620 (2014: GH¢ 135,133) of bad debts previously written off.

Key ratios on Net advances	2015	2014
Impairment loss ratio	7.42%	7.52%
Gross non-performing loan ratio	7.18%	7.20%
Ration of fifty largest exposures to total exposure	0.67%	0.70%

7. Deferred tax

	2015	2014
Deferred tax asset	2,228,999	4,987,518

Reconciliation of deferred tax asset / (liability)

	2015	2014
Opening balance	4,987,518	2,108,373
Unrealised foreign exchange loss	(3,001,087)	1,410,992
Movement in allowances for impairment	280,570	1,460,600
Plant and equipment	(47,067)	8,085
Movement in accruals	9,065	(532)
	2,228,999	**4,987,518**

8. Other assets

	2015	2014
Staff loans	455,410	421,394
Deferred cost relating to initiation fees	5,513,503	4,678,896
Prepayments	1,772,423	1,340,184
	7,741,336	**6,440,474**

	2015 GH¢	2014 GH¢

9. Stated capital and retained earnings

	2015 GH¢	2014 GH¢
Authorised		
10,000,000 Ordinary shares capital of GHS 1 each	10,000,000	10,000,000
5,000,006 Non-cumulative, non-redeemable preference shares of no par value	5,000,006	5,000,006
	15,000,006	**15,000,006**

There is no share in treasury and no call or instalment unpaid on any share.

	2015 GH¢	2014 GH¢
Issued		
2,000,000 Ordinary shares capital of GHS 1 each	2,000,000	2,000,000
5,000,006 Non-cumulative, non-redeemable preference shares of no par value	16,413,305	16,413,305
	18,413,305	**18,413,305**

Retained earnings

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

10. Loans and borrowings

	2015 GH¢	2014 GH¢
Standard Chartered Bank Limited The term loan is for the duration of one year (beginning March 2015) and carries interest at 27.5% payable montly in arrears. Interest is variable depending on the Bank of Ghana policy rate.	3,957,361	18,213,839
Deposits due to customers The deposits due to customers are due within 12 months and interest is payable on maturity at rates ranging from the 182 day Treasury bill rate plus a premium of 4% - 10%.	60,941,562	42,016,486
Corporate notes Corporate notes are issued to the public under the Izwe Loans Limited note programme and are due within two repayments of 24 month and 36 months respectively, from initation date. Interest is payable bi-annually and is based on 182 day Bank of Ghana treasury bill rate plus a margin. Margins vary from 3.5% to 5.5%.	44,748,635	29,843,047
Subordinated debt During 2015, Izwe Loans Limited issued GH¢ 7,000,000 new notes under its listed note programme. These notes are unsecured and suboridinated, repayable after five years starting in August 2015 and carry interest at the Bank of Ghana 182 day treasury bill rate plus a margin of 5.5%.	7,758,520	-
	117,406,078	**90,073,372**

11. Derivative liabilities

The Company uses currency forward derivative instruments for hedging purposes. Forward exchange contracts are used to hedge the Company against specifically identified currency risk. The below sets out the Company's current open positions:

	2015 GH¢	2014 GH¢
Derivative liabilities	387,966	3,319,081

12. Fair value hierarchy of financial liabilities at fair value through profit or loss

For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The balance sheet items classified as financial liabilities at fair value through profit or loss for the year ended 31 December 2015 were the derivative liabilities of GH¢ 387,966 (2014: GH¢ 3,319,081). These are disclosed as Level 2 below.

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

12. Fair value hierarchy of financial liabilities at fair value through profit or loss (continued)

Level 1 represents those assets which are measured using unadjusted quoted prices for identical liabilities.

Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly(as prices) or indirectly (derived from prices). The market value of derivative liabilities takes into account the current spot rate and the anticipated spot rate at the end of the forward contract, using an interest yeild curve.

Level 3 applies inputs which are not based on observable market data.

Level 2

	2015 GH¢	2014 GH¢
Derivative liabilities	**387,966**	**3,319,081**

There were no transfer between the level's for the years ending 31 December 2015 and 2014 respectively.

13. Trade and other payables

	2015 GH¢	2014 GH¢
Amounts due to related parties	120,280	-
Value added tax payable	571,211	-
Dividends payable to related parties	881,202	881,202
Accrued leave pay	77,543	41,283
Deferred initiation fees	5,391,900	4,945,248
Other accruals	221,449	1,091,077
Other payables (1)	1,165,337	1,022,241
	8,428,922	**7,981,051**

(1) Included in other payables are amounts due to tax authorities for PAYE and withholding tax, and payables to other smaller creditors.

14. Interest income

	2015 GH¢	2014 GH¢
Interest received on loans and advances	53,358,573	40,202,231
Other interest received	832,009	525,920
	54,190,582	**40,728,151**

15. Interest expenses

	2015 GH¢	2014 GH¢
Interest paid to related parties	1,124,573	7,352,482
Preference dividends paid to related parties	-	306,597
Corporate notes	15,081,639	4,980,482
Interest paid on customer deposits	15,467,472	3,631,408
Interest paid to banks	2,178,923	1,930,931
	33,852,607	**18,201,900**

16. Fee and commission income and expenses

	2015 GH¢	2014 GH¢
Fee income	7,771,899	6,936,424
Commission paid on loans	(3,755,338)	(2,062,525)
	4,016,561	**4,873,899**

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

17. Personnel cost

	2015 GH¢	2014 GH¢
Salaries and wages	2,937,847	2,179,226
Statutory deductions	283,227	218,957
	3,221,074	**2,398,183**

18. Other operating expense

	2015 GH¢	2014 GH¢
Legal and consulting expenses	316,578	1,357,980
Collection cost	2,103,823	657,169
Auditor fees	71,543	63,730
Rent and other utilities	1,296,580	1,030,982
Directors fees	4,368	1,580
Other	6,419,398	6,153,147
	10,212,290	**9,264,588**

19. Taxation

Major components of the tax expense

	2015 GH¢	2014 GH¢
Current		
Local income tax - current period	231,560	770,504
Deferred		
Originating and reversing temporary differences	2,758,519	(2,879,145)
	2,990,080	**(2,108,641)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2015 GH¢	2014 GH¢
Accounting profit before tax	4,799,114	(7,335,889)
Tax at the applicable tax rate of 25% (2014: 25%)	1,199,779	(1,833,972)
Tax effect of adjustments on taxable income		
Assessed loss carried forward disallowed	(381,147)	-
Stabilization levy	231,560	-
Deductible temporary differences	(820,420)	(301,292)
Permanent differences	1,788	26,624
	231,560	**(2,108,640)**

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

20. Cash generated from operations

	2015 GH¢	2014 GH¢
Profit before taxation	4,799,114	(7,335,889)
Adjustments for:		
Depreciation and amortisation	474,716	297,601
Interest expense	33,852,607	18,201,900
Changes in working capital:		
Trade and other receivables	(1,300,862)	(1,299,274)
Change in loans and advances	(24,018,089)	(27,846,589)
Trade and other payables	447,870	2,630,274
	14,255,356	**(15,351,977)**

21. Tax paid

	2015 GH¢	2014 GH¢
Balance at beginning of the year	(384,371)	(3,183,920)
Current tax for the year recognised in profit or loss	(231,560)	(770,504)
Balance at end of the year	161,414	384,371
	(454,517)	**(3,570,053)**

22. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due	2015 GH¢	2014 GH¢
- within one year	1,211,757	681,829
- in second to fifth year inclusive	2,158,795	2,687,510
	3,370,552	**3,369,339**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of three years.

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

23. Related parties

Relationships

Ultimate holding company	Izwe Africa Holdings
Holding company	African Micro-Finance Equities
Fellow subsidiary	African Micro-Finance Holdings

The African Mirco-Finance Holdings (Mauritius) loan is denominated in United States Dollars, and for a maximum amount of $20 million. Interest is charges at 17.39% to 31 March 2014 and at 14.13% from April 2014. The loan was repaid in 2015.

Related party balances

	2015 GH¢	2014 GH¢
Loan accounts - Owing (to) by related parties		
African Micro-Finance Holdings	-	(37,220,580)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
African Micro-Finance Holdings	(1,001,482)	(881,202)

Related party transactions

	2015 GH¢	2014 GH¢
Interest paid to (received from) related parties		
African Micro-Finance Holdings	(1,124,573)	(7,352,482)
Preference share dividend accrued		
African Micro-Finance Holdings	-	(306,597)
Exchange loss recognised on loans from related parties		
African Micro-Finance Holdings	-	(19,396,314)
Compensation to directors and other key management		
Director fees	4,368	1,580
Key management emoluments	738,659	695,379
Loans to directors	396,243	228,194

Notes to the Financial Statements

24. Categories of financial instruments

	Note(s)	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Categories of financial instruments - 2015							
Assets							
Property and equipment	4	-	-	-	-	1,251,310	1,251,310
Intangible assets	5	-	-	-	-	208,029	208,029
Deferred taxation assets	7	-	-	-	-	2,228,999	2,228,999
Net advances	6	117,395,494	-	-	-	-	117,395,494
Other assets	8	455,410	-	-	-	7,285,926	7,741,336
Financial investment	3	839,850	-	-	-	-	839,850
Cash and cash equivalents	3	12,684,996	-	-	-	-	12,684,996
		131,375,750	**-**	**-**	**-**	**10,974,264**	**142,350,014**
Total Assets		**131,375,750**	**-**	**-**	**-**	**10,974,264**	**142,350,014**
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent:							
Share capital	9	-	-	-	-	18,413,305	18,413,305
Retained income	9	-	-	-	-	(2,477,710)	(2,477,710)
		-	**-**	**-**	**-**	**15,935,595**	**15,935,595**
Total Equity		**-**	**-**	**-**	**-**	**15,935,595**	**15,935,595**

Notes to the Financial Statements

24. Categories of financial instruments (continued)

Liabilities

	Note(s)	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Current Liabilities							
Loans and borrowings	10	-	-	117,406,078	-	-	117,406,078
Current tax liability	21	-	-	161,414	-	-	161,414
Trade and other payables	13	-	-	8,428,922	-	-	8,428,922
Derivative liabilities	12	-	387,966	-	-	-	387,966
Bank overdraft	3	-	-	30,039	-	-	30,039
		-	**387,966**	**126,026,453**	**-**	**-**	**126,414,419**
Total Liabilities		**-**	**387,966**	**126,026,453**	**-**	**-**	**126,414,419**
Total Equity and Liabilities		**-**	**387,966**	**126,026,453**	**-**	**15,935,595**	**142,350,014**

Notes to the Financial Statements

24. Categories of financial instruments (continued)

Categories of financial instruments - 2014

	Note(s)	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Assets							
Property and equipment	4	-	-	-	-	663,919	663,919
Intangible asset	5	-	-	-	-	154,280	154,280
Deferred taxation assest	7	-	-	-	-	4,987,518	4,987,518
Net advances	6	93,377,405	-	-	-	-	93,377,405
Other assets	8	421,394	-	-	-	6,019,080	6,440,474
Financial investment	3	13,093,537	-	-	-	-	13,093,537
Cash and cash equivalents	3	35,547,162	-	-	-	-	35,547,162
		142,439,498	**-**	**-**	**-**	**11,824,797**	**154,264,295**
Total Assets		**142,439,498**	**-**	**-**	**-**	**11,824,797**	**154,264,295**
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent:							
Share capital	9	-	-	-	-	18,413,305	18,413,305
Retained income	9	-	-	-	-	(4,286,744)	(4,286,744)
Total Equity		**-**	**-**	**-**	**-**	**14,126,561**	**14,126,561**

Notes to the Financial Statements

24. Categories of financial instruments (continued)

	Note(s)	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
Liabilities							
Loans from related party	23	-	-	37,220,580	-	-	37,220,580
Loans and borrowings	10	-	-	90,073,372	-	-	90,073,372
Current tax liabilities	21	-	-	384,371	-	-	384,371
Trade and other payables	13	-	-	7,981,051	-	-	7,981,051
Derivative liabilities	12	-	3,319,081	-	-	-	3,319,081
Bank overdraft	3	-	-	1,159,279	-	-	1,159,279
		-	**3,319,081**	**136,818,653**	**-**	**-**	**140,137,734**
Total Liabilities		**-**	**3,319,081**	**136,818,653**	**-**	**-**	**140,137,734**
Total Equity and Liabilities		**-**	**3,319,081**	**136,818,653**	**-**	**14,126,561**	**154,264,295**

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

25. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 10, cash and cash equivalents disclosed in note 3, and as disclosed in the statement of financial position.

Consistent with others in the industry, the company monitors capital on the basis of the using the Bank of Ghana capital adequacy ratio.

The company is required to keep a minimum capital requirement of 10% of its risk weighted assets as defined. During the finncial year the Company did not breach this minimum requirement.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Regulatory Capital

Regulatory capital refers to the capital that the company must hold as share capital at any given point in time as per the requirements of Bank of Ghana. The company has complied with the minimum capital requirement of GH¢7,000,000.

Capital Adequacy

The capital adequacy ratio is the quotient of the capital base and the company's weighted asset base. In accordance with Central Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

Tier 1 Capital	**2015**	**2014**
Ordinary Share Capital	2,000,000	2,000,000
Permanent Non - Cumulative Preference Shares	16,413,305	16,413,305
Retained earnings	(2,977,710)	(4,286,744)
Shareholder's Funds	15,435,595	14,126,561
Tier 2 Capital		
Subordinated term debt	7,717,798	-
Total Regulatory Capital	23,153,393	14,129,121
Adjusted Risk-weighted Assets	150,605,316	134,187,436
Total Regulatory Capital Expressed as a percentage of Total-Risk Weighted Assets is	15.37%	10.53%

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the Financial Statements

	2015	2014
	GH¢	GH¢

25. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and net-settled derivative financial 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.

At 31 December 2015	Less than 1 year.	Between 1 and 2 years	Between 2 and 5 years	Total
Loans and borrowings	67,516,318	24,575,000	25,314,760	117,406,078
Derivative liabilities	387,966	-	-	387,966
Trade and other payables	4,809,416	1,448,295	2,171,211	8,428,922
Bank overdrafts	30,039	-	-	30,039
	72,743,739	**26,023,295**	**27,485,971**	**126,253,005**

At 31 December 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Loans and borrowings	61,056,372	15,123,000	13,894,000	90,073,372
Derivative liabilities	3,319,081	-	-	3,319,081
Trade and other payables	4,587,693	1,224,489	2,168,869	7,981,051
Amounts due to related parties	13,957,718	18,610,290	4,652,572	37,220,580
Bank overdrafts	1,159,279	-	-	1,159,279
	84,080,143	**34,957,779**	**20,715,441**	**139,753,363**

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

25. Risk management (continued)

Interest rate risk

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. During 2015 and 2014, the company's borrowings at variable rate were denominated in the Cedi and the USD.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Based on the various scenarios, the company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed ratesUnder the interest rate swaps, the company agrees with other parties to exchange, at specified intervals (quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 31 December 2015, if interest rates on Cedi-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been GHGH¢ 117,406 (2014: GH¢ 90,073) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowing.

Cash flow interest rate risk

2015	Exposure	Fixed vs variable
Loans and borrowings	117,406,078	Variable
Bank overdraft	30,039	Variable
	117,436,117	

2014	Exposure	Fixed vs variable
Loans and borrowings	90,073,372	Variable
Bank overdraft	1,159,274	Variable
Loans from related party	37,220,580	Fixed
	128,453,226	-

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

25. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, and sector risk).

Credit risk consists mainly of cash equivalents, loans and advances to customers, derivative financial instruments and sundry debtors. In order to manage this risk, the Board has a defined credit policy for the Company, which is documented and forms the basis of all credit decisions. The Company also makes allowance for impairment against non-performing accounts, where recoverability is doubtful.

The Company only deposits cash with major companies or banks with high quality credit standing and limits exposure to any counter-party. Loans and advances comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal and/or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate in cases of death or disability.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2015**	**2014**
Net Advances	117,395,494	93,377,405
Cash and cash equivalents	12,684,996	35,547,162
Staff loans	445,410	421,394
Financial investment	839,850	13,093,537
	131,365,750	**142,439,498**

Loans past due but not impaired

Izwe Loans Limited does not have any loans that are past due but not impaired as at 31 December 2015 (2014: GH¢ 433,338). Loans and advances under this category arise where contractual interest or principal payments are past due but that the Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Company.

Allowances for impairment

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

Write off policy

The Company writes off a loan balance (and any related allowances for impairment losses) when the Company determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Concentration risk

The majority of the Company's customers are employees of parastatal companies.

Notes to the Financial Statements

	2015 GH¢	2014 GH¢

25. Risk management (continued)

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company enters into foreign currency forwards and futures which are not designated as hedges to manage its risk

At 31 December 2015, if the currency had weakened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been GHGH¢ 10,214 (2014: GH¢ -93,139) higher / (lower), mainly as a result of foreign exchange gains on translation of US dollar denominated, cash and borrowings.

A summary of the Company's foreign currency exposure on its financial assets and liabilities in Cedi is as follows:

2015	ZAR	USD	Euro	Pound	Cedis	Total
Assets						
Cash and cash equivalents	-	60,222	-	-	12,624,774	12,684,996
Financial investment	-	839,850	-	-	-	839,850
Other assets	-	-	-	-	7,741,336	7,741,336
Net advances	-	-	-	-	117,395,494	117,395,494
	-	**900,072**	**-**	**-**	**137,761,604**	**138,661,676**
Liabilities						
Bank overdraft	-	-	-	-	(30,039)	-
Trade and other payable	(120,276)	-	-	-	(8,308,646)	(8,428,922)
Derivative liabilities	-	(387,966)	-	-	-	(387,966)
Loans and borrowings	-	-	-	-	(117,406,078)	(117,406,078)
	(120,276)	**(387,966)**	**-**	**-**	**(125,744,763)**	**(126,222,966)**

2014	ZAR	USD	EURO	Pound	Cedi	Total
Assets						
Cash and cash equivalents	-	18,169,148	17,554	36,929	17,323,531	35,547,162
Financial investment	-	13,093,537	-	-	-	13,093,537
Other assets	-	-	-	-	6,440,474	6,440,474
Net advances	-	-	-	-	93,377,405	93,377,405
	-	**31,262,685**	**17,554**	**36,929**	**117,141,410**	**148,458,578**
Liabilities						
Bank overdraft	-	-	-	-	(1,159,279)	(1,159,279)
Loans from related party	-	(37,220,580)	-	-	-	(37,220,580)
Trade and other payable	(924,850)	-	-	-	(7,056,201)	(7,981,051)
Derivative liabilities	-	(3,319,081)	-	-	-	(3,319,081)
Loans and borrowings	-	-	-	-	(90,073,372)	(90,073,372)
	(924,850)	**(40,539,661)**	**-**	**-**	**(98,288,852)**	**(139,753,363)**

Compliance and regulatory risk

Compliance is an independent core risk management activity, which also has unrestricted access to the managing director and the chairman of the board. The Company is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Company's compliance risk.

25. Risk management (continued)

The management of compliance risk has become a distinct discipline within the Company's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities are undertaken to manage the risk such as identifying the regulatory universe and developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance. The Company has a dedicated Money Laundering Control Officer who consults the country's newly established Financial Intelligence Centre on money laundering and anti-terrorist financing matters.

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Operating risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

26. Contingencies

Contingent liabilities

There were no contingent liabilities or assets at the reporting date and at 31 December 2015.

Litigations and claims

There were no litigations and claims involving the company as at 31 December 2015.

27. Events after the reporting period

There were no adjusting or non - adjusting events after the reporting period.

28. Comparative information

The comparative information refers in all cases to the previous audited financial statements for the year ended 31 December 2014.