IZWE LOANS LIMITED

Financial statements
for the year ended 31 December 2016

Izwe Loans Limited
(Registration number CS401592014)
Financial Statements for the year ended 31 December 2016

General Information

Country of incorporation and domicile	Ghana
Nature of business and principal activities	Micro finance, financial services and all related activities
Directors	David Eugene Fichardt Lance Graham Cleaver Raymond K. Bismarck Abedi Pele Ayew Samuel Yeboah Fred Ocrah Arkoh Angela Akosua Kissiwah Gyasi
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
Secretary	Trustee Services Limited No. 4 Momotse Avenue Adabraka 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 2016.

1. Objectives and 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 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, 1963 (Act 179) of Ghana and in accordance to the Non-Bank financial Institutions Act 2008 (Act 774).

The company recorded a net profit after tax for the period ended 31 December 2016 of GH¢ 10,325 5,423,918, in comparison to the net profit after tax of the prior year of GH¢1,809,034.

The Company's interest income increased by 24% to GH¢67,431,104 in the current year from GH¢54,190,582 for the year ended 31 December 2015.

The Company's cash used in operating activities was GH¢ (20,051,769) in the prior year and GH¢15,052,384 for the year ended 31 December 2016.

3. Share capital

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

4. Dividends

No dividends were declared or paid during the year (2015: Nil)

5. Directorate

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

Directors	Qualifications/ Profession	Designation	Nationality	Changes	Outside board and management position
David Eugene Fichardt	Accountant	Non-executive	South African		
Lance Graham Cleaver	Businessman	Non-executive	South African		
Raymond K. Bismarck	Banker	Executive	Ghanaian		
Abedi Pele Ayew	Businessman	Non-executive	Ghanaian		
Samuel Yeboah	Businessman	Non-executive	Ghanaian		MD, Syycol Company Limited
Fred Ocrah Arkoh	Accountant	Non-executive	Ghanaian	Resigned 17/11/2016	
Angela Akosua Kissiwah Gyasi	Lawyer	Non-executive	Ghanaian	Appointed 16/11/2016	Director, Cellulant Ghana. Metropolitan Pensions

Biographical information of directors

Age category	Number of directors
Up to – 40 years	3
41 – 60 years	4
Above 60 years	0

Directors' Report

6. Directors' interests in shares

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

Role of the Board

The directors are responsible for the long term success of the company, determine the strategic direction of the company and review operating, financial and risk performance. There is a formal schedule of matters reserved for the board of directors, including approval of the company's annual business plan, strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, all guarantees, treasury policies, the financial statements, the company's dividend policy, transactions involving the issue or purchase of company shares, borrowing powers, appointments to the Board, alterations to the memorandum and articles of association, legal actions brought by or against the company, and the scope of delegations to Board committees, subsidiary boards and the management committee. Responsibility for the development of policy and strategy and operational management is delegated to the executive director and a management committee, which as at the date of this report includes the executive director and 4 (four) senior managers.

Directors' performance evaluation

Every year the performance and effectiveness of the Board of Directors, its committees and individual directors is evaluated. The evaluation is conducted by the completion of detailed and comprehensive survey questionnaires. The results of the evaluation is shared with all members of the Board. Overall, it was noted that the board of directors and its committees were operating in an effective manner and performing satisfactorily, with no major issues identified.

Professional development and training

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the company's business, the risks and strategic challenges it faces, and the economic, competitive, legal and regulatory environment in which the company operates. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the company's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

Conflicts of interest

The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

Board balance and independence

The composition of the board of directors and its Committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is independent on appointment and all non-Executive Directors are independent as it pertains to the management of the company. The continuing independent and objective judgement of the non-Executive Directors has been confirmed by the Board of Directors.

Directors' Report

7. 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 2016 the company's investment in property and equipment amounted to GH¢2,566,103 (2015: GH¢1,251,310), of which GH¢ 1,952,773 (2015: ¢ 961,053) 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.

8. Holding company

The company's holding company is African Micro-Finance Equities which holds 90% (2015: 90%) of the company's equity. African Micro-Finance Equities is incorporated in Mauritius.

9. 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.

10. 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.

11. Auditors

KPMG continued in office as auditors for the company for 2016.

The Audit Committee has responsibility delegated from the board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. KPMG has been the auditor of Izwe Loans Limited for 6 years. KPMG does not provide non-audit services to the Company.

12. Secretary

The company secretary is Trustee Services Limited with the following business address:

No. 4 Momotse Avenue
Adabraka
Accra

13. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 31 March 2017. No authority has been given to anyone to amend the financial statements after the date of issue.

14. Key management emoluments

Key management emoluments for the period amounted to GH¢ 925,469 (2015: GH¢ 738,659)

15. Loans to key management

Loans to key management for the period amounted to GH¢ 317,321 (2015: GH¢ 396,243)

Directors' Report

16. Employees

At the end of the year, the toal number of employees of the Company was at 160 (2015: 114). The related salaries and wages was GH¢ 4,764,306 (2015: GH¢ 3,221,074)

15. Corporate responsibilities

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

16. Corporate 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 directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management..

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 Non-Bank financial Institutions Act 2008 (Act 774).

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.

17. Related party transactions

Related party transactions and balances are also disclosed in note 23 to the financial statements. No director has any other interest in any shares or loan stock of the company. Other than service contracts, no director had a material interest in any contract to which the company was a party during the year.

18. Code of Ethics

Employees

Izwe Loans Limited has a Code of Ethics for staff and this has been made available to all employees of the company.

Board and waiver to the code ethics

The regulations of Izwe Loans Limited provides for ethics for the board and provides that the Directors stand in a fiduciary relationship towards the Company in any transaction with it or on its behalf. A Director shall act at all times in what he believes to be in the best interests of the company as a whole so as to preserve it assets, further its business, and promote the purposes for which it was formed, and in such manner as a faithful, diligent, careful and ordinarily skilful Director would act in the circumstances. In consideration whether a particular transaction or course of action is in the best interests of the Company as a whole, a Director may have regard to the interests of the employees, as well as the members of the Company and when appointed by or as representative of a special class of members, employees or creditors may give special but not exclusive, consideration to the interests of that class.

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. 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 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 2017 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 8 to 11.

The financial statements set out on page 12 to 42 which have been prepared on the going concern basis, were approved by the board of directors on 31 March 2017 and were signed on their behalf by:

Director	**Director**
31 March 2017	**31 March 2017**

KPMG

INDEPENDENT AUDITOR'S REPORT

To the Members of Izwe Loans Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Izwe Loans Limited ("the Company"), which comprise the statement of financial position at 31 December 2016, and the statements of profit or loss and other 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 16 to 42.

In our opinion, these financial statements give a true and fair view of the financial position of Izwe Loans Limited at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179), and the Non-Bank Financial Institutions Act 2008 (Act 774).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances (GH¢ 12.16 million) Refer to Note 6 to the financial statements	
The key audit matter	*How the matter was addressed in our audit*
Impairment of loans and advances to customers is a key audit matter because of the complexity and subjectivity involved in estimating the timing and amount of cash flow used in the computation. Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that an	Our procedures to address this key audit matter included: • Testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers • Evaluating the year end impairment models for collective and individual provisioning by re-performing calculations and agreeing a sample of data inputs to source documentation. We also assessed whether the data

impairment exists on an individual basis, loans are assessed collectively for impairment. Assessing impairment allowances on loans and advances to customers requires management to make assumptions on the timing of expected future cash flows. Cash flows are determined based on the repayment history of the customer. Management assumes that the past payment history of a customer will determine their ability to repay outstanding balances. A 100% provision is made on customers whose loan term has expired. The collective impairment loss allowance relates to losses incurred but not yet identified (IBNR loss allowances) on other loans and advances. The two key judgments in the collective impairment assessment are the likelihood of default and the emergence period.	used in the models included all the relevant information through testing a sample of relevant data fields and their aggregate amounts against data in the source systems • Challenging management's assumptions in impairment models by evaluating the historical accuracy of estimates, current and past performance of the Company's loans based on our understanding of the Company • Testing a sample of contracts for individual impairment assessment, taking a risk-based approach to focus on those with the greatest potential impact on the financial statements. Our assessment specifically challenged the Company's assumptions of expected future cash flows including evaluating the customer's past repayment history • Testing data used by the Company in determining the likelihood of default and emergence period for collective impairment assessment; • Evaluating the adequacy of the Company's disclosures for impairment of loans and advances, and related changes in estimate occurring during the period and the sensitivity to the key assumptions.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' Report as required by the Companies Act, 1963 (Act 179), and the Non-Bank Financial Institutions Act 2008 (Act 774), the Securities Industry Act, 2016 (Act 929), the Securities and Exchange Commission Regulations 2003 (LI 1728) but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and 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.

KPMG

INDEPENDENT AUDITOR'S REPORT (CONT'D)

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) 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 profit or loss and other comprehensive income are in agreement with the books of account.
The Company's transactions were within its powers and the Company generally complied with the relevant provisions of the Non-Bank Financial Institutions Act 2008 (Act 774).

The engagement partner on the audit resulting in this independent auditor's report is **Frederick Nyan Dennis (ICAG/P/1426).**

KPMG
....
For and on behalf of:
KPMG: (ICAG/F/2017/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

31 March **2017**

Statement of Financial Position

	Notes	2016 GH¢	2015 GH¢
Assets			
Cash and cash equivalents	3	2,333,286	12,684,996
Property and equipment	4	2,566,103	1,251,310
Net advances	6	134,919,484	117,395,494
Deferred tax assets	7	2,298,663	2,228,999
Other assets	8	11,497,739	7,741,336
Intangible assets	5	114,760	208,029
Cash restricted for use	3	916,102	839,850
Total Assets		**154,646,137**	**142,350,014**
Liabilities			
Bank overdraft	3	1,383,613	30,039
Trade and other payables	13	8,528,456	8,428,922
Loans and borrowings	10	123,139,948	117,406,078
Current tax liability	21	234,607	161,414
Derivative liabilities	11&12	-	387,966
Total Liabilities		**133,286,624**	**126,414,419**
Equity			
Share capital	9	18,413,305	18,413,305
Retained income / (loss)	9	2,946,208	(2,477,710)
Total Equity		**21,359,513**	**15,935,595**
Total Equity and Liabilities		**154,646,137**	**142,350,014**

These financial statements were approved by the board of directors on 31 March 2017 and were signed on its behalf by:

Director **Director**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2016 GH¢	2015 GH¢
Interest and similar income	14	67,431,104	54,190,582
Interest and similar expenses	15	(35,562,295)	(33,852,607)
Net interest income		**31,868,809**	**20,337,975**
Fee and commission income	16	7,097,901	7,771,899
Fee and commission expense	16	(2,934,913)	(3,755,338)
Net fee and commission income		**4,162,988**	**4,016,561**
Total operating income		**36,031,797**	**24,354,536**
Other income	6	1,016,680	445,620
Net operating income		**37,048,477**	**24,800,156**
Personnel costs	17	(4,764,306)	(3,221,074)
Depreciation	4	(585,016)	(348,095)
Other operating expenses	18	(14,665,282)	(10,212,290)
Amortisation	5	(116,011)	(126,621)
Impairment loss on financial assets	6	(9,104,948)	(6,366,906)
Exchange differences		(25,570)	273,944
Total operating expenses		**(29,261,133)**	**(20,001,042)**
Profit before taxation		**7,787,344**	**4,799,114**
Taxation	19	(2,363,426)	(2,990,080)
Profit for the year		**5,423,918**	**1,809,034**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the equity shareholder of the company		**5,423,918**	**1,809,034**

The notes on pages 16 to 42 are an intergral part of these financial statements

Statement of Changes in Equity

	Share capital GH¢	Retained income GH¢	Total equity GH¢
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 01 January 2016	**18,413,305**	**(2,477,710)**	**15,935,595**
Total comprehensive income for the year	-	5,423,918	5,423,918
Balance at 31 December 2016	**18,413,305**	**2,946,208**	**21,359,513**

Izwe Loans Limited
(Registration number CS401592014)
Financial Statements for the year ended 31 December 2016

Statement of Cash Flows

	Note(s)	2016 GH¢	2015 GH¢
Cash flows from operating activities			
Cash generated from operations	20	22,869,808	14,255,356
Interest paid		(35,562,295)	(33,852,607)
Tax paid	21	(2,359,898)	(454,517)
Cash used in operating activities		**(15,052,385)**	**(20,051,768)**
Cash flows from investing activities			
Purchase of property and equipment	4	(1,952,773)	(961,053)
Proceeds from sale of property and equipment	4	52,964	25,567
Purchase of other intangible assets	5	(22,742)	(180,370)
Change in financial assets		(76,252)	12,253,687
Net cash from/(used in) investing activities		**(1,998,803)**	**11,137,831**
Cash flows from financing activities			
Change in loans and borrowings		5,733,870	27,332,706
Movement in derivative liabilities		(387,966)	(2,931,115)
Repayment of related parties		-	(37,220,580)
Net cash from/(used in) financing activities		**5,345,904**	**(12,818,989)**
Total cash movement for the year		**(11,705,284)**	**(21,732,926)**
Cash at the beginning of the year		12,654,957	34,387,883
Total cash at end of the year	3	**949,673**	**12,654,957**

The notes on pages 16 to 42 are an intergral part of these financial statements

Significant Accounting Policies

Reporting Entity

Izwe Loans Limited (the Company) is incorporated and domiciled in Ghana. The Company's registered office is at 1st Floor Maestro Plaza, Kotobabi Main Road Accra. The Company is licensed by the Bank of Ghana as a Non-Bank Financial institution. These are the individual financial statements of the Company

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of profit or loss and other comprehensive income, in these financial statements.

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on .

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, 1963 (Act 179). The financial statements have been prepared on the historical basis, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value, and incorporates the principal accounting policies set out below. All financial statements 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

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Impairment of financial assets

The Company reviews its loans and advances to assess for impairment . In determining whether an impairment loss should be recorded in profit or loss, Izwe makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of the loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to loans of the same portfolio when determining its future cash flows.

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.

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

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.

The subsequent cost of an asset is the cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Significant Accounting Policies

1.2 Property and equipment (continued)

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

The residual value, 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 unless it is included in the carrying amount of another asset.

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.

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, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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 each reporting date and adjusted if appropriate.

Item	Useful life
Computer software, other	3 Years

Significant Accounting Policies

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

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.

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 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.

Significant Accounting Policies

1.4 Financial instruments (continued)

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 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. 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.

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 method.

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.

Significant Accounting Policies

1.5 Taxation (continued)

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 credits and deductible temporary differences 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.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

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.

Significant Accounting Policies

1.6 Revenue recognition (continued)

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.

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 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

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated

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 Cedis, 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 assets and liabilities are translated using the closing rate;
- non-monetary assets and liabilities 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 assets and liabilities 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 Cedis by applying to the foreign currency amount the exchange rate between the Cedi and the foreign currency at the date of the cash flow.

Notes to the Financial Statements

	2016	2015
	GH¢	GH¢

2. New Standards and Interpretations

2.1 New standards and interpretations issued but not yet effective

A number of new standards and amendments to standards to standards are effective for annual periods beginning after 1 January 2016; however, the Company has not applied these new or amended standards in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.

Notes to the Financial Statements

2. **New Standards and Interpretations (continued)**
   - Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:
- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

Early adoption is permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company expects to adopt the standard for the first time in the 2019 financial statements.

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

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurements.

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.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

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

The company expects to adopt the standard for the first time in the 2018 financial statements.

The impact of this standard is currently being assessed.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRRIC 18 Transfer of Assets from Customers and SIC 31 Revenue - Barter of 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 2018, early adoptions is permitted.

The company expects to adopt the standard for the first time in the 2018 financial statements.

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

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

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

The company expects to adopt the amendment for the first time in the 2018 financial statements.

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

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

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

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

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

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

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

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

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

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017, early adoption is permitted.

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

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

The aggregate impact of the initial application of the statements and interpretations on the company's financial statements is expected to be as follows:

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016 GH¢	2015 GH¢
Cash on hand	203,379	73,136
Balances held with bank	2,129,907	12,611,860
	2,333,286	**12,684,996**
Bank overdraft	(1,383,613)	(30,039)

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 2017. Current interest charge is 29% and this is subject to change in line with market conditions.

	2016 GH¢	2015 GH¢
Current assets	2,333,286	12,684,996
Current liabilities	(1,383,613)	(30,039)
	949,673	**12,654,957**

Cash restricted for use

For 2016 GH¢ 916,102 ($220,000) collateral is held against the Standard Chartered Bank Ghana Limited facility and for 2015 GH¢ 839,850 ($220,000). It is denominated in USD and is up for renewal at the end of 2017.

4. Property and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1,043,472	(321,151)	722,321	561,825	(196,698)	365,127
Motor vehicles	1,759,091	(367,316)	1,391,775	801,542	(282,184)	519,358
IT equipment	884,450	(528,203)	356,247	690,650	(323,825)	366,825
Capital - Work in progress	95,760	-	95,760	-	-	-
Total	**3,782,773**	**(1,216,670)**	**2,566,103**	**2,054,017**	**(802,707)**	**1,251,310**

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

4. Property and equipment (continued)

Reconciliation of property and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	365,127	481,647	-	(124,453)	722,321
Motor vehicles	519,358	1,181,567	(52,964)	(256,186)	1,391,775
IT equipment	366,825	193,799	-	(204,377)	356,247
Capital - Work in progress	-	95,760	-	-	95,760
	1,251,310	**1,952,773**	**(52,964)**	**(585,016)**	**2,566,103**

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**

5. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software, other	493,367	(378,607)	114,760	470,625	(262,596)	208,029

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	208,029	22,742	(116,011)	114,760

Reconciliation of intangible assets - 2015

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

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

6. Net advances

Loans and receivables		
Gross loans and advances to customers	147,077,433	126,106,788
Less: Allowance for impariment	(12,157,949)	(8,711,294)
	134,919,484	**117,395,494**

Analysis of allowances for impairment on loans and advances to customers		
Opening balance	(8,711,294)	(7,589,014)
Impairment loss write off	5,658,293	5,244,626
Movement in allowance for the year recognised in profit or loss	(9,104,948)	(6,366,906)
Balance as at 31 December	**(12,157,949)**	**(8,711,294)**

Breakdown of Allowance for impairment		
Specific Impairment	11,492,824	8,406,249
Collective Impairment	665,125	305,045
	12,157,949	**8,711,294**

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 2016 (2015: GH¢ Nil).

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.

The ageing of these loans is as follows:

2016	**Gross**	**Impairment**	**Net**
Current 0 - 60 days	121,085,094	(838,198)	120,246,896
Past due over 60 days	25,992,339	(11,319,751)	14,672,588
	147,077,433	**(12,157,949)**	**134,919,484**

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**

During the year under review, the Company recovered GH¢ 1,016,680 (2015: GH¢ 445,620) of bad debts previously written off.

Key ratios on Net advances		
Impairment loss ratio	8.27%	7.42%
Gross non-performing loan ratio	6.61%	7.18%
Ratio of fifty largest exposures to total exposure	0.86%	0.67%

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

7. Deferred tax

Deferred tax asset	2,298,663	2,228,999

Reconciliation of deferred tax asset / (liability)

At beginning of year	2,228,999	4,987,518
Unrealised foreign exchange loss	(96,992)	(3,001,087)
Movement in allowance for impairment	160,199	280,570
Plant and equipment	2,749	(47,067)
Movement in accruals	3,708	9,065
	2,298,663	**2,228,999**

8. Other assets

Other receivables	133,960	-
Staff loans	617,809	455,410
Deferred cost relating to initiation fees	6,976,208	5,513,503
Prepayments	3,769,762	1,772,423
	11,497,739	**7,741,336**

9. Share capital and retained income / (loss)

Authorised

10,000,000 Ordinary shares capital of GHS1 each	10,000,000	10,000,000
5,000,006 Non-culmulative, 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.

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 income / (loss)

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

Notes to the Financial Statements

	2016 GH¢	2015 GH¢
10. Loans and borrowings		
Standard Chartered Bank Limited The term loan that matured in December 2016 was renewed but was not drawn before year end.	-	3,957,361
Listed notes All of Izwe Loans Limited notes are listed on the Ghana Fixed Income Market (GFIM). The notes are denominated in ghana cedi. Interest rates are either fixed or floating. If the note is a floating rate note, the relevant interest rate used, will be the Ghanaian T-Bill plus a spread. The majority of notes are senior secured and rank pari-passu over net advances as stipulated in the Programme Memorandum. Unsecured, subordinated debt has also been issued under the note programme.	62,900,958	52,507,155
Short term borrowings Izwe Loans Limited raises short term retail and corporate funding from customers. These have maturities less than 1 year.	60,238,990	60,941,562
	123,139,948	**117,406,078**

Operating segment

The directors of the company have determined that they operate the company and report as only one segment, both in terms of business and geography after taking into consideration the internal management and organisational structure, systems of internal financial reporting, services/products offered, markets and customers. As such, no segment reporting is deemed necessary.

All revenues are from numerous customers that are not significant when considered individually and these customers are based in Ghana. In addition, all non-current assets of the company are in Ghana.

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:

	2016 GH¢	2015 GH¢
Derivative liabilities	-	387,966

12. Fair value hierarchy of financial instruments

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 (2016: NIL). These are disclosed as Level 2 below.

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.

	2016 GH¢	2015 GH¢
Level 2		
Derivative liabilities	-	**387,966**

There were no transfer between the level's for the years ending 31 December 2016 and 2015 respectively.

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

13. Trade and other payables

Amounts due to related parties	66,367	120,280
Dividends payable to related parties	881,202	881,202
Insurance payable	84,743	-
Accrued leave pay	92,373	77,543
Deferred initiation fees	5,083,751	5,391,900
Other accruals	370,040	221,449
Other payables	1,949,980	1,736,548
	8,528,456	**8,428,922**

14. Interest income

Interest received on loans and advances	66,512,222	53,358,573
Other interest received	918,882	832,009
	67,431,104	**54,190,582**

15. Interest expenses

Interest paid to related parties	37,476	1,124,573
Interest paid to corporate notes	17,148,493	15,081,639
Interest paid on customer deposits	16,262,825	15,467,472
Interest paid to banks	2,113,501	2,178,923
	35,562,295	**33,852,607**

16. Fee and commission income and expenses

Fee income	7,097,901	7,771,899
Commission paid on loans	(2,934,913)	(3,755,338)
	4,162,988	**4,016,561**

17. Personnel cost

Salaries and wages	4,383,399	2,937,847
Statutory deductions	380,907	283,227
	4,764,306	**3,221,074**

18. Other operating expense

Legal and consulting expenses	202,358	316,577
Collection cost	2,697,768	2,103,823
Auditor fees	82,495	71,543
Rent and other utilities	2,082,567	1,296,580
Directors fees	5,990	4,368
Other (1)	9,594,104	6,419,398
	14,665,282	**10,212,289**

(1) Other expenses includes advertising, admin fees, general expenses, IT expenses, telephone and travel cost.

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

19. Taxation

Major components of the tax (income) expense

	2016 GH¢	2015 GH¢
Current		
Local income tax - current period	2,433,090	231,560
Deferred		
Originating and reversing temporary differences	(69,664)	2,758,519
	2,363,426	**2,990,079**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2016 GH¢	2015 GH¢
Accounting profit before tax	7,787,344	4,799,114
Tax at the applicable tax rate of 25% (2015: 25%)	1,946,836	1,199,779
Tax effect of adjustments on taxable income		
Assessed loss carried forward disallowed	-	(381,147)
Stabilization levy	389,367	231,560
Deductible temporary differences	-	(820,420)
Permanent differences	27,223	1,788
	2,363,426	**231,560**

20. Cash generated from operations

	2016 GH¢	2015 GH¢
Profit before taxation	7,787,344	4,799,114
Depreciation and amortisation	701,027	474,716
Interest expense	35,562,295	33,852,606
Other assets	(3,756,403)	(1,300,861)
Change in loans and advances	(17,523,990)	(24,018,089)
Trade and other payables	99,535	447,870
	22,869,808	**14,255,356**

21. Tax paid

	2016 GH¢	2015 GH¢
Balance at beginning of the year	(161,414)	(384,371)
Current tax for the year	(2,433,090)	(231,560)
Balance at end of the year	234,607	161,414
	(2,359,897)	**(454,517)**

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

22. Commitments

Operating leases – as lessee (expense)

	2016 GH¢	2015 GH¢
Minimum lease payments due		
- within one year	1,063,295	1,211,757
- in second to fifth year inclusive	5,838,233	2,158,795
	6,901,528	**3,370,552**

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.

23. Related parties

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

Related party balances

	2016 GH¢	2015 GH¢
Amounts included in Trade receivable (Trade Payable) regarding related parties		
African Micro-Finance Holdings	(947,569)	(1,001,482)

Related party transactions

	2016 GH¢	2015 GH¢
Interest paid to (received from) related parties		
African Micro-Finance Holdings	(37,476)	(1,124,573)
Compensation to directors and other key management		
Director fees	5,990	4,368
Key management emoluments	925,469	738,659
Loan to directors	317,322	396,243

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	Total
Categories of financial instruments - 2016					
Assets					
Net advances	6	134,919,484	-	-	134,919,484
Other assets	8	617,809	-	-	617,809
Financial Investment	3	916,102	-	-	916,102
Cash and cash equivalents	3	2,333,286	-	-	2,333,286
		138,786,681	-	-	138,786,681
Total Assets		138,786,681	-	-	138,786,681
Liabilities					
Current Liabilities					
Loans and borrowings	10	-	-	123,139,948	123,139,948
Trade and other payables	13	-	-	8,528,456	8,528,456
Bank overdraft	3	-	-	1,383,613	1,383,613
		-	-	133,052,017	133,052,017
Total Liabilities		-	-	133,052,017	133,052,017

Notes to the Financial Statements

24. Categories of financial instruments (continued)

Categories of financial instruments - 2015

	Note(s)	Debt instruments at amortised cost	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Assets					
Net advances	6	117,395,494	-	-	117,395,494
Other assets	8	455,410	-	-	455,410
Financial investment	3	839,850	-	-	839,850
Cash and cash equivalents	3	12,684,996	-	-	12,684,996
		131,375,750	-	-	131,375,750
Total Assets		131,375,750	-	-	131,375,750
Liabilities					
Loans and borrowings	10	-	-	117,406,078	117,406,078
Trade and other payables	13	-	-	8,590,336	8,590,336
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

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, which includes ordinary share capital, share premium, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available for sale.

Tier 1 Capital	**2016**	**2015**
Ordinary Share Capital	2,000,000	2,000,000
Permanent Non - Cumulative Preference Shares	16,413,305	16,413,305
Retained earnings	2,946,208	(2,977,710)
Shareholder's Funds	**21,359,513**	**15,435,595**
Tier 2 Capital		
Subordinated term debt	10,679,757	7,717,798
Total Regulatory Capital	32,039,270	23,153,393
Adjusted Risk-weighted Assets	**176,889,659**	**150,605,316**
Total Regulatory Capital Expressed as a percentage of Total-Risk Weighted Assets is	18.11%	15.37%

Notes to the Financial Statements

	2016 GH¢	2015 GH¢

25. Risk management (continued)

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.

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 2016	Less than 1 year.	Between 1 and 2 years	Between 2 and 5 years	Total
Loans and borrowings	87,825,188	18,314,760	17,000,000	123,139,948
Trade and other payables	5,203,278	1,446,725	1,878,453	8,528,456
Bank overdrafts	1,383,613	-	-	1,383,613
	94,412,079	**19,761,485**	**18,878,453**	**133,052,017**

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
	72,713,700	**26,023,295**	**27,485,971**	**126,222,966**

Notes to the Financial Statements

	2016 GH¢	2015 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 company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. During 2016 and 2015, 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 or 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 rates. Under 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 2016, if interest rates on Cedi-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been GH¢ 10,325124,524 (2015: GH¢ 117,436) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowing.

Cash flow interest rate risk

2016	Exposure	Fixed vs variable
Loans and borrowings	123,139,948	Variable
Bank overdraft	1,383,613	Variable
	124,523,561	

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

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	2016	2015
Net Advances	134,919,484	117,395,494
Cash and cash equivalents	2,333,286	12,684,996
Staff loans	617,809	445,410
Financial investment	916,102	839,850
	138,786,681	**131,365,750**

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 2016 (2015: GH¢ Nil). 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

	2016 GH¢	2015 GH¢

25. Risk management (continued)

Foreign exchange risk

The company is exposed to foreign exchange risk due to borrowings and transfer pricing 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 2016, 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 GH¢ 10,325 (2015: GH¢ 10,214) 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:

2016	ZAR	USD	Cedis	Total
Assets				
Cash and cash equivalents	-	10,195	2,323,091	2,333,286
Financial investment	-	916,102	-	916,102
Other assets	-	-	11,497,739	11,497,739
Net advances	-	-	134,919,484	134,919,484
	-	**926,297**	**148,740,314**	**149,666,611**
Liabilities				
Bank overdraft	-	-	(1,383,613)	(1,383,613)
Trade and other payable	(394,864)	(66,367)	(8,067,225)	(8,528,456)
Loans and borrowings	-	-	(123,139,948)	(123,139,948)
	(394,864)	**(66,367)**	**(132,590,786)**	**(133,052,017)**

2015	ZAR	USD	Cedi	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)	(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)**	**(126,253,005)**

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.

Notes to the Financial Statements

	2016	2015
	GH¢	GH¢

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.

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 2016 and 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 2015.