

IZWE SAVINGS AND LOANS PLC
(Formerly Izwe Loans Limited)
Financial statements
for the year ended December 31, 2017

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

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 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 P O Box GP 242 Abelenkpe, Accra |
| Secretary | Trustee Services Limited No. 4 Momotse Avenue Adabraka Accra |
| Legal advisors | Bentsi - Enchill, Letsa & Ankomah No. 4 Momotse Avenue Adabraka Accra |
| Company registration number | PL000162015 |

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Directors' Report

The directors have the pleasure in submitting their report on the financial statements of Izwe Savings and Loans PLC (Formerly Izwe Loans Limited) for the year ended December 31, 2017.

1. Objectives and Nature of business

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited) was incorporated in Ghana with interests in the micro-lending finance industry. The company operates across Ghana, with its registered office at, Maestro Plaza, Kotobabi Main Road, Pig Farm, Accra. The only changes to the nature of the company's business from prior year is that the company began accepting savings deposits in August 2017.

The company is authorised and licensed by the Bank of Ghana (BOG) as a Non-Bank Financial Institution and received its Savings and Loans Licence effective March 2017. This status accords the company the legal and regulatory mandate to receive and intermediate deposits, as well as disburse loans.

A written resolution was passed by the Shareholders effective 7 April 2017 to change the name of the company from Izwe Loans Limited to Izwe Savings and Loans PLC.

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 Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930).

The company recorded a net profit after tax for the year ended December 31, 2017 of GH¢ 5,950,940, in comparison to the net profit after tax of the prior year of GH¢5,423,918.

The company's interest income increased by 16% to GH¢ 78,143,488 in the current year from GH¢67,431,104 for the year ended December 31, 2016.

3. Stated capital

There have been no changes to the authorised capital. However 1% of the stated capital was issued to Raymond K. Bismarck as at January 1, 2017. Refer to note 9 for details.

4. Dividends

The board of directors do not recommend the declaration of an ordinary dividend for the year (2016: Nil).

5. Directorate

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

| Directors | Qualifications/ Profession | Designation | Nationality | 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 |
| Angela Akosua Kissiwah Gyasi | Lawyer | Non-executive | Ghanaian | Director, Cellulant Ghana. Metropolitan Pensions |

Biographical information of directors

Age category

| | Number of directors |
|------------------|---------------------|
| Up to - 40 years | 3 |
| 41 - 60 years | 3 |

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Directors' Report

6. Directors' interests in shares

Abedi Pele Ayew holds 9.9% and Raymond K. Bismarck holds 1% of the Company's ordinary shares.

7. 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 3 (three) 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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

Directors' Report

8. 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 December 31, 2017 the company's investment in property and equipment amounted to GH¢2,744,263 (2016: GH¢2,566,103), of which GH¢ 1,147,992 (2016: GH¢ 1,952,773) was added in the current year through additions.

In the opinion of the directors, 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.

9. Holding company

The company's holding company is African Micro-Finance Equities which holds 89.1% (2016: 90%) of the company's equity. African Micro-Finance Equities is incorporated in Mauritius.

10. 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.

11. 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.

12. Auditors

KPMG continued in office as auditors for the company for 2017.

The Audit Committee has the 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 7 years and in accordance with Companies Act requirements will be replaced by a new audit firm in 2018. KPMG does not provide non-audit services to the Company.

13. Secretary

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

No. 4 Momotse Avenue
Adabraka
Accra

14. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on March 28, 2018. No authority has been given to anyone to amend the financial statements after the date of issue.

15. Key management emoluments

Key management emoluments for the period amounted to GH¢ 1,041,948 (2016: GH¢ 925,469)

16. Loans to key management

Loans to key management for the period amounted to GH¢ 297,024 (2016: GH¢ 317,322).

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Financial Statements for the year ended December 31, 2017

Directors' Report

17. Employees

At the end of the year, the total number of employees of the Company was at 166 (2016: 160). The related salaries and wages was GH¢ 6,564,705 (2016: GH¢ 4,764,306).

18. Corporate responsibilities

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

19. 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 Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930).

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.

20. Related party transactions

Related party transactions and balances are disclosed in note 22 to the financial statements. Abedi Pele Ayew and Raymond K. Bismarck both have shares in 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.

21. Code of Ethics

Employees

Izwe Savings and Loans PLC 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 Savings and Loans PLC 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 its 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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Directors' Responsibilities and Approval

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

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

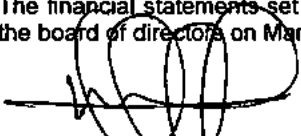
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards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

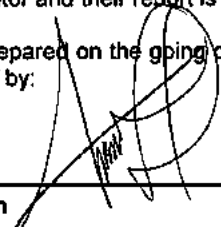
The directors have reviewed the company's cash flow forecast for the year to December 31, 2018 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

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 pages 8 to 11.

The financial statements set out on pages 12 to 42, which have been prepared on the going concern basis, were approved by the board of directors on March 28, 2018 and were signed on their behalf by:



Raymond K. Bismarck
Managing Director
March 28, 2018



Samuel Yeboah
Director



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
IZWE SAVINGS AND LOANS PLC**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Izwe Savings and Loans Plc ("the Company"), which comprise the statement of financial position at 31 December 2017, 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 12 to 41.

In our opinion, these financial statements give a true and fair view of the financial position of Izwe Savings and Loans Plc at 31 December 2017, 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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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)*, together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, 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¢ 16.4 million)

Refer to Note 6 to the financial statements

The key audit matter

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

How the matter was addressed in our audit

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 used in the models included all the relevant information through



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
IZWE SAVINGS AND LOANS PLC (CONT'D)**

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.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors' as required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
IZWE SAVINGS AND LOANS PLC (CONT'D)**

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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), 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.

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.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
IZWE SAVINGS AND LOANS PLC (CONT'D)**

- 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.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 85 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank's has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), as amended by the Anti-Money Laundering Amendments Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) and the Regulations governing the Acts.

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/2018/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA**

.....
28 March **2018**

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Statement of Financial Position

| | Notes | 2017 GH¢ | 2016 GH¢ |
|-------------------------------------|-------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 3 | 21,583,145 | 2,333,286 |
| Property and equipment | 4 | 2,744,263 | 2,566,103 |
| Net loans and advances | 6 | 179,496,716 | 135,537,293 |
| Deferred tax assets | 7 | 2,394,284 | 2,298,663 |
| Other assets | 8 | 11,638,591 | 10,879,930 |
| Intangible assets | 5 | 165,348 | 114,760 |
| Cash restricted for use | 3 | 995,324 | 916,102 |
| Total Assets | | 219,017,671 | 154,646,137 |
| Liabilities | | | |
| Bank overdraft | 3 | 46,633 | 1,383,613 |
| Trade and other payables | 11 | 13,873,780 | 8,528,456 |
| Loans from related parties | 22 | 627,400 | - |
| Loans and borrowings | 10 | 176,858,718 | 123,139,948 |
| Current tax liability | 19 | 181,167 | 234,607 |
| Total Liabilities | | 191,587,698 | 133,286,624 |
| Equity | | | |
| Stated capital | 9 | 18,532,825 | 18,413,305 |
| Statutory reserves | 9 | 2,975,470 | - |
| Retained income | 9 | 5,921,678 | 2,946,208 |
| Total Equity | | 27,429,973 | 21,359,513 |
| Total Equity and Liabilities | | 219,017,671 | 154,646,137 |

These financial statements were approved by the board of directors on March 28, 2018 and were signed on its behalf by:


Raymond Bismarck
Managing Director


Samuel Yeboah
Director

The notes on pages 16 to 41 are an integral part of these financial statements

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Statement of Profit or Loss and Other Comprehensive Income

| | Note(s) | 2017 GH¢ | 2016 GH¢ |
|--|---------|---------------------|---------------------|
| Interest and similar income | 12 | 78,143,488 | 67,431,104 |
| Interest and similar expenses | 13 | (36,217,561) | (35,562,295) |
| Net interest income | | 41,925,927 | 31,868,809 |
| Fee and commission income | 14 | 7,682,647 | 7,097,901 |
| Fee and commission expense | 14 | (4,735,754) | (2,934,913) |
| Net fee and commission income | | 2,946,893 | 4,162,988 |
| Total operating income | | 44,872,820 | 36,031,797 |
| Other income | 6 | 1,363,157 | 1,016,680 |
| Net operating income | | 46,235,977 | 37,048,477 |
| Personnel costs | 15 | (6,564,705) | (4,764,306) |
| Depreciation | 4 | (863,834) | (585,016) |
| Other operating expenses | 16 | (18,837,642) | (14,665,282) |
| Amortisation | 5 | (89,795) | (116,011) |
| Impairment loss on financial assets | 6 | (10,959,535) | (9,104,948) |
| Exchange differences | | (143,452) | (25,570) |
| Total operating expenses | | (37,458,963) | (29,261,133) |
| Profit before taxation | | 8,777,014 | 7,787,344 |
| Taxation | 17 | (2,826,074) | (2,363,426) |
| Profit for the year | | 5,950,940 | 5,423,918 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year attributable to the equity shareholder of the company | | 5,950,940 | 5,423,918 |

The notes on pages 16 to 41 are an intergral part of these financial statements

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Statement of Changes in Equity

| | Stated capital | Statutory reserves | Retained income | Total equity |
|---|-------------------|--------------------|--------------------|-------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| Balance at January 1, 2016 | 18,413,305 | - | (2,477,710) | 15,935,595 |
| Total comprehensive income for the year | - | - | 5,423,918 | 5,423,918 |
| Balance at January 1, 2017 | 18,413,305 | - | 2,946,208 | 21,359,513 |
| Total comprehensive income for the year | - | - | 5,950,940 | 5,950,940 |
| Issue of shares | 119,520 | - | - | 119,520 |
| Transfer to statutory reserves | - | 2,975,470 | (2,975,470) | - |
| Balance at December 31, 2017 | 18,532,825 | 2,975,470 | 5,921,678 | 27,429,973 |

The notes on pages 16 to 41 are an integral part of these financial statements

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Statement of Cash Flows

| | Note(s) | 2017 GH¢ | 2016 GH¢ |
|--|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 18 | 6,568,682 | 22,883,372 |
| Interest paid | 13 | (36,217,561) | (35,562,295) |
| Tax paid | 19 | (2,975,135) | (2,359,898) |
| Net cash generated/(used) from operating activities | | (32,624,014) | (15,038,821) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (1,052,232) | (1,952,773) |
| Proceeds from sale of property and equipment | 4 | 17,000 | 39,400 |
| Purchase of intangible assets | 5 | (140,383) | (22,742) |
| Change in financial assets | 3 | (79,222) | (76,252) |
| Net cash used in investing activities | | (1,254,837) | (2,012,367) |
| Cash flows from financing activities | | | |
| Proceeds on share issue | 9 | 119,520 | - |
| Change in loans and borrowings | 10 | 53,718,770 | 5,733,870 |
| Movement in derivative liabilities | | - | (387,966) |
| Change in related parties | 22 | 627,400 | - |
| Net cash from financing activities | | 54,465,690 | 5,345,904 |
| Total cash movement for the year | | 20,586,839 | (11,705,284) |
| Cash at the beginning of the year | | 949,673 | 12,654,957 |
| Total cash at end of the year | 3 | 21,536,512 | 949,673 |

The notes on pages 16 to 41 are an integral part of these financial statements

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Significant Accounting Policies

Reporting Entity

Izwe Savings and Loans PLC (the Company) is incorporated and domiciled in Ghana (previously Izwe Loans Limited CS401592014). 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 December 31, 2017 were authorised for issue in accordance with a resolution of the directors on Wednesday, March 28, 2018.

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930) and the Companies Act, 1963 (Act 179). The financial statements have been prepared on the historical cost 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, the company 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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

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 |

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 | 3 Years |

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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

(Registration number PL000162015)

Financial Statements for the year ended December 31, 2017

Significant Accounting Policies

1.4 Financial instruments (continued)

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.

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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

Significant Accounting Policies

1.4 Financial instruments (continued)

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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

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 the reporting date are disclosed in the notes to the accounts.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

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 statement of profit and other comprehensive income 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 reporting 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 Stated 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 security contributions

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

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

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.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

Notes to the Financial Statements

| 2017 | 2016 |
|------|------|
| 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 are effective for annual periods beginning after 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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedient.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019. The Company has not yet determined which transition approach to apply.

The Company has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Company uses the practical expedients and recognition exemptions, and any additional leases that the Company enters into. The Company expects to disclose its transition approach and quantitative information before adoption.

IFRS 9 Financial Instruments

IFRS 9 – *Financial Instruments*. The new standard includes a new model for classification and measurement of financial assets, a forward-looking 'expected loss' impairment model for debt instruments and a substantially reformed approach to hedge accounting (as the Company does not conduct hedge accounting, this change will have no impact on the Company). The standard replaces the existing guidance in IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective from 1 January 2018.

The IFRS 9 impact assessment and modelling is still on-going but has reached an advanced stage. Training and implementation is expected immediately after the impact assessment and modelling process is complete.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest (SPPI)).

The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

For the Company, the accounting classification and measurement for financial liabilities as well as financial assets will be the same under IFRS 9 as it was under IAS 39.

Impairment

IFRS 9 introduces an expected credit loss (ECL) impairment model that differs significantly from the incurred loss model under IAS 39 and is expected to result in the earlier recognition of credit losses going forward.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. The Company does not have any equity securities designated as FVOCI. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as FVOCI, and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37).

Expected credit loss impairment model

Under IFRS 9, credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The recognition and measurement of impairment is intended to be more forward looking than under IAS 39. The estimation of an ECL is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate will also consider the time value of money.

The measurement of an ECL will primarily be determined by an assessment of the financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) where the cash shortfalls are discounted to the reporting date. For a financial asset in Stage 1, the Company will utilise a 12-month PD, whereas a financial asset within Stage 2 will utilise a lifetime PD in order to estimate an impairment allowance. For credit impaired financials asset within Stage 3, the Company will continue to leverage existing processes.

An impairment allowance will be estimated for all financial assets at an individual loan level utilising sophisticated models.

Transition

The impairment and classification and measurement requirements of IFRS 9 will be applied retrospectively by adjusting the Company's Balance Sheet at 1 January 2018, the date of initial application of IFRS 9, with the difference between previous carrying amounts and carrying amounts at initial application recognized in retained earnings. There is no requirement to restate comparative periods.

To manage our transition to IFRS 9, the Company has engaged an external consultant to perform a gap analysis, design a model, provide training to internal staff and coordinate the transition process. The Group Finance team will oversee the entire process and be responsible for financial reporting, data provision, systems and processes alignments and communication to EXCO and the Board.

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Financial Statements for the year ended December 31, 2017

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Company has not yet commenced the evaluation of the potential impact of the adoption of IFRS 15 on its financial statements

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

The company has not yet commenced the evaluation of the potential impact of the adoption of IFRIC 23 on its financial statements.

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

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Financial Statements for the year ended December 31, 2017

Notes to the Financial Statements

| | 2017 GH¢ | 2016 GH¢ |
|--|-------------------|------------------|
| 3. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 209,371 | 203,379 |
| Balances held with bank | 21,373,774 | 2,129,907 |
| | 21,583,145 | 2,333,286 |
| Bank overdraft | (46,633) | (1,383,613) |
| The Company has a GH¢ 12,000,000 overdraft facility with Standard Chartered Bank Ghana Limited which was extended to March 2018 and is linked to a variable interest rate. | | |
| Current assets | 21,583,145 | 2,333,286 |
| Current liabilities | (46,633) | (1,383,613) |
| | 21,536,512 | 949,673 |

Cash restricted for use

In 2017 GH¢ 995,324 (\$220,000) collateral was held against the Standard Chartered Bank Ghana Limited overdraft facility and in 2016 GH¢ 916,102 (\$220,000).

4. Property and equipment

| | 2017 | | | 2016 | | |
|----------------------------|------------------------|-----------------------------|------------------|------------------------|-----------------------------|------------------|
| | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 1,265,623 | (507,265) | 758,358 | 1,043,472 | (321,151) | 722,321 |
| Motor vehicles | 2,555,027 | (794,341) | 1,760,686 | 1,759,091 | (367,316) | 1,391,775 |
| IT equipment | 987,654 | (762,435) | 225,219 | 884,450 | (528,203) | 356,247 |
| Capital - Work in progress | - | - | - | 95,760 | - | 95,760 |
| Total | 4,808,304 | (2,064,041) | 2,744,263 | 3,782,773 | (1,216,670) | 2,566,103 |

Izwe Savings and Loans PLC (Formerly Izwe Loans Limited)

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Financial Statements for the year ended December 31, 2017

Notes to the Financial Statements

| | 2017 GH¢ | 2016 GH¢ |
|--|-------------|-------------|
|--|-------------|-------------|

4. Property and equipment (continued)

Reconciliation of property and equipment - 2017

| | Opening balance | Additions | Disposals | Transfers from work in progress | Depreciation | Total |
|----------------------------|--------------------|------------------|-----------------|---------------------------------------|------------------|------------------|
| Furniture and fixtures | 722,321 | 222,151 | - | - | (186,114) | 758,358 |
| Motor vehicles | 1,391,775 | 822,636 | (10,238) | - | (443,487) | 1,760,686 |
| IT equipment | 356,247 | 103,205 | - | - | (234,233) | 225,219 |
| Capital - Work in progress | 95,760 | - | - | (95,760) | - | - |
| Total | 2,566,103 | 1,147,992 | (10,238) | (95,760) | (863,834) | 2,744,263 |

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 |
| Total | 1,251,310 | 1,952,773 | (52,964) | (585,016) | 2,566,103 |

5. Intangible assets

| | 2017 | | | 2016 | | |
|--------------------------------|---------------------|-----------------------------|----------------|---------------------|-----------------------------|----------------|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software | 514,817 | (468,402) | 46,415 | 493,367 | (378,607) | 114,760 |
| Capital - Work in progress (1) | 118,933 | - | 118,933 | - | - | - |
| Total | 633,750 | (468,402) | 165,348 | 493,367 | (378,607) | 114,760 |

Reconciliation of intangible assets - 2017

| | Opening balance | Additions | Amortisation | Total |
|--------------------------------|--------------------|----------------|-----------------|----------------|
| Computer software | 114,760 | 21,450 | (89,795) | 46,415 |
| Capital - Work in progress (1) | - | 118,933 | - | 118,933 |
| Total | 114,760 | 140,383 | (89,795) | 165,348 |

Reconciliation of intangible assets - 2016

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

(1) Capital - Work in progress consist of software not yet in use.

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| | 2017 GH¢ | 2016 GH¢ |
|---|---------------------|---------------------|
| 6. Net loans and advances | | |
| Loans and advances | | |
| Gross loans and advances to customers | 195,889,106 | 147,695,242 |
| Less: Allowance for impairment | (16,392,390) | (12,157,949) |
| | 179,496,716 | 135,537,293 |
| Analysis of allowances for impairment on loans and advances to customers | | |
| Opening balance | (12,157,949) | (8,711,294) |
| Impairment loss write off | 6,725,094 | 5,658,293 |
| Movement in allowance for the year recognised in the statement comprehensive income | (10,959,535) | (9,104,948) |
| Balance as at 31 December | (16,392,390) | (12,157,949) |
| Net loans and advances split by product | | |
| Net loans and advances - Payroll (1) | | |
| Loans and advances - payroll | 193,878,001 | 147,695,242 |
| Allowance for impairment - Payroll | (15,990,169) | (12,157,949) |
| | 177,887,832 | 135,537,293 |
| Net loan and advances - Secured lending (1) | | |
| Loans and advances - Secured lending | 2,011,105 | - |
| Allowance for impairment - Secured lending | (402,221) | - |
| | 1,608,884 | - |
| Breakdown of Allowance for impairment | | |
| Specific Impairment | 15,821,100 | 11,492,824 |
| Collective Impairment | 571,290 | 665,125 |
| | 16,392,390 | 12,157,949 |

(1) The net loans and advances balance is currently held by a security trustee as collateral to secured lenders as disclosed in note 10.

Loans and advances past due but not impaired

Izwe Savings and Loans PLC does not have any loans that are past due but not impaired as at 31 December 2017 (2016: 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.

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| | 2017 GH¢ | 2016 GH¢ |
|--|--------------------|---------------------|
| 6. Net loans and advances (continued) | | |
| The ageing of these loans is as follows: | | |
| 2017 | Gross | Impairment |
| Past due 1 - 29 days | 158,555,296 | (2,101,836) |
| Past due 30 - 59 days | 10,165,976 | (1,670,410) |
| Past due 60 - 89 days | 5,316,430 | (1,370,070) |
| Past due 90 - 179 days | 7,817,909 | (2,875,511) |
| Past due 180 - 269 days | 4,660,987 | (2,272,428) |
| Past due 270 - 364 days | 3,332,950 | (1,954,589) |
| Past due 12 - 18 months | 4,086,676 | (2,694,445) |
| Past due over 18 months | 1,952,882 | (1,453,101) |
| | 195,889,106 | (16,392,390) |
| | | 179,496,716 |
| 2016 | Gross | Impairment |
| Past due 1 - 29 days | 112,251,216 | (796,308) |
| Past due 30 - 59 days | 9,453,767 | (41,890) |
| Past due 60 - 89 days | 4,755,652 | (34,423) |
| Past due 90 - 179 days | 7,064,001 | (1,672,501) |
| Past due 180 - 269 days | 4,935,463 | (2,835,123) |
| Past due 270 - 364 days | 4,117,866 | (2,718,535) |
| Past due 12 - 18 months | 3,384,245 | (2,546,559) |
| Past due over 18 months | 1,733,032 | (1,512,610) |
| | 147,695,242 | (12,157,949) |
| | | 135,537,293 |
| During the year under review, the Company recovered GH¢ 1,363,157 (2016: GH¢ 1,016,680) of bad debts previously written off. | | |
| Key ratios on Net loans and advances | | |
| Impairment loss ratio | 8.37% | 8.27% |
| Non-performing loan ratio | 6.54% | 6.61% |
| Ratio of fifty largest exposures to total exposure | 0.89% | 0.86% |
| 7. Deferred tax | | |
| Deferred tax asset | 2,394,284 | 2,298,663 |
| Reconciliation of deferred tax asset | | |
| At beginning of year | 2,298,663 | 2,228,999 |
| Repairs and maintenance | 39,163 | - |
| Unrealised foreign exchange loss | - | (96,992) |
| Movement in allowance for impairment | 122,864 | 160,199 |
| Plant and equipment | (76,254) | 2,749 |
| Movement in accruals | 9,848 | 3,708 |
| | 2,394,284 | 2,298,663 |
| 8. Other assets | | |
| Other receivables | - | 133,960 |
| Deferred cost relating to initiation fees | 9,481,717 | 6,976,208 |
| Prepayments | 2,156,874 | 3,769,762 |
| | 11,638,591 | 10,879,930 |

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| | 2017 GH¢ | 2016 GH¢ |
|--|--------------------|--------------------|
| 9. Stated capital and retained income | | |
| Authorised | | |
| 10,000,000 Ordinary shares of no par value | 10,000,000 | 10,000,000 |
| 5,000,006 Non-cumulative, non-redeemable preference shares of no par value | 5,000,006 | 5,000,006 |
| | 15,000,006 | 15,000,006 |
| Issued | | |
| 2,020,000 Ordinary shares of no par value (2016: 2,000,000 Ordinary shares)(1) | 2,119,520 | 2,000,000 |
| 5,000,006 Non-cumulative, non-redeemable preference shares of no par value | 16,413,305 | 16,413,305 |
| | 18,532,825 | 18,413,305 |
| There is no share in treasury and no call or instalment unpaid on any share. | | |
| Reconciliation of number of shares issued: | | |
| Reported as at 01 January 2017 | 18,413,305 | 18,413,305 |
| Issue of shares – ordinary shares | 119,520 | - |
| | 18,532,825 | 18,413,305 |
| (1) On January 1, 2017 the company issued 20,000 shares to Raymond K. Bismarck. The shares were issued at GH¢ 5.976 per share. | | |
| Statutory reserves | | |
| This represents non-distributable reserves maintained by the entity in accordance with the Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930). | | |
| Retained income | | |
| This represents the residual of cumulative annual profits that is available for distribution to shareholders. | | |
| 10. Loans and borrowings | | |
| Standard Chartered Bank Limited | 3,000,000 | - |
| The term loan matures at the end of January 2018 and will not be renewed. The term loan was in place at the end of December 2016, but only drawn in January 2017. | | |
| All of Izwe Savings and Loans PLC notes are listed on the Ghana Fixed Income Market (GFIM). The notes are all denominated in Ghanaian Cedi. | | |
| Listed Notes - Subordinated | 17,583,105 | 17,743,936 |
| The terms on these notes are 5 years to maturity and they bear no security. | | |
| Listed Notes - Secured | 55,201,434 | 45,157,022 |
| The terms on these notes range from 3 to 5 years to maturity. The senior secured notes are secured over the loan book. | | |
| Short term borrowings | 101,074,179 | 60,238,990 |
| Izwe Saving and Loans PLC raises short term retail and corporate funding from customers. These have maturities less than 1 year and are unsecured deposits. | | |
| | 176,858,718 | 123,139,948 |

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| | 2017 GH¢ | 2016 GH¢ |
|---|-------------------|-------------------|
| 11. Trade and other payables | | |
| Amounts due to related parties | 831,772 | 66,367 |
| Dividends payable to related parties | - | 881,202 |
| Insurance payable | 158,703 | 84,743 |
| Accrued leave pay | 131,766 | 92,373 |
| Deferred initiation fees | 9,685,362 | 5,083,751 |
| Other accruals | 320,985 | 370,040 |
| Other payables | 2,745,192 | 1,949,980 |
| | 13,873,780 | 8,528,456 |
| 12. Interest income | | |
| Interest received on loans and advances | 77,824,555 | 66,512,222 |
| Other interest received | 318,933 | 918,882 |
| | 78,143,488 | 67,431,104 |
| 13. Interest expenses | | |
| Interest paid to related parties | 19,329 | 37,476 |
| Interest paid to corporate noteholders | 14,691,206 | 17,148,493 |
| Interest paid on customer deposits | 19,702,683 | 16,262,825 |
| Interest paid to banks | 1,804,343 | 2,113,501 |
| | 36,217,561 | 35,562,295 |
| 14. Fee and commission income and expenses | | |
| Fee income | 7,682,647 | 7,097,901 |
| Commission paid on loans | (4,735,754) | (2,934,913) |
| | 2,946,893 | 4,162,988 |
| 15. Personnel cost | | |
| Salaries and wages | 6,065,147 | 4,383,399 |
| Statutory deductions | 499,558 | 380,907 |
| | 6,564,705 | 4,764,306 |
| 16. Other operating expense | | |
| Legal and consulting expenses | 487,485 | 202,358 |
| Collection cost | 3,240,675 | 2,697,768 |
| Auditor fees | 70,000 | 82,495 |
| Rent and other utilities | 2,568,129 | 2,082,567 |
| Directors fees | 16,000 | 5,990 |
| Other (1) | 12,455,353 | 9,594,104 |
| | 18,837,642 | 14,665,282 |

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

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| | 2017 GH¢ | 2016 GH¢ |
|---|--------------------|--------------------|
| 17. Taxation | | |
| Major components of the tax (income) expense | | |
| Current | | |
| Local income tax - current period | 2,921,695 | 2,433,090 |
| Deferred | | |
| Originating and reversing temporary differences | (95,621) | (69,664) |
| | 2,826,074 | 2,363,426 |
| Reconciliation of the tax expense | | |
| Reconciliation between accounting profit and tax expense. | | |
| Accounting profit before tax | 8,777,014 | 7,787,344 |
| Tax at the applicable tax rate of 25% (2016: 25%) | 2,194,254 | 1,946,836 |
| Tax effect of adjustments on taxable income | | |
| Stabilizing levy | 556,386 | 389,367 |
| Permanent differences | 75,434 | 27,223 |
| | 2,826,074 | 2,363,426 |
| 18. Cash used from operations | | |
| Profit before taxation | 8,777,014 | 7,787,344 |
| Depreciation and amortisation | 953,629 | 701,027 |
| (Profit) / loss on disposal of fixed assets | (6,762) | 13,564 |
| Interest expense | 36,217,561 | 35,562,295 |
| Other assets | (758,661) | (3,756,403) |
| Change in loans and advances | (43,959,423) | (17,523,990) |
| Trade and other payables | 5,345,324 | 99,535 |
| | 6,568,682 | 22,883,372 |
| 19. Tax paid | | |
| Balance at beginning of the year | (234,607) | (161,414) |
| Current tax for the year | (2,921,695) | (2,433,090) |
| Balance at end of the year | 181,167 | 234,607 |
| | (2,975,135) | (2,359,897) |

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| | 2017 GH¢ | 2016 GH¢ |
|--|--------------------------------|------------------|
| 20. Commitments | | |
| Operating leases – as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 1,832,986 | 1,063,295 |
| - in second to fifth year inclusive | 4,997,965 | 5,838,233 |
| | 6,830,951 | 6,901,528 |
| 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. | | |
| 21. 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. | | |
| 22. Related parties | | |
| Relationships | | |
| Ultimate holding company | Izwe Africa Holdings | |
| Holding company | African Micro-Finance Equities | |
| Related party balances | | |
| Loan accounts - Owing (to) by related parties | | |
| African Micro-Finance Holdings | (627,400) | - |
| Amounts included in Trade receivable (Trade Payable) regarding related parties | | |
| African Micro-Finance Holdings | (831,772) | (947,569) |
| Related party transactions | | |
| Interest paid to (received from) related parties | | |
| African Micro-Finance Holdings | (19,329) | (37,476) |
| Compensation to directors and other key management | | |
| Director fees | 16,000 | 5,990 |
| Key management emoluments | 1,041,948 | 925,469 |
| Loan to directors | 297,024 | 317,322 |

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23. Categories of financial instruments

| | Note(s) | Debt instruments at amortised cost | Financial liabilities at amortised cost | Total |
|---|---------|--|---|--------------------|
| Categories of financial instruments - 2017 | | | | |
| Assets | | | | |
| Net loan and advances | 6 | 179,496,716 | - | 179,496,716 |
| Cash restricted for use | 3 | 995,324 | - | 995,324 |
| Cash and cash equivalents | 3 | 21,583,145 | - | 21,583,145 |
| | | 202,075,185 | - | 202,075,185 |
| Total Assets | | 202,075,185 | - | 202,075,185 |
| Liabilities | | | | |
| Loans from related party | 22 | - | 627,400 | 627,400 |
| Loans and borrowings | 10 | - | 176,858,718 | 176,858,718 |
| Trade and other payables | 11 | - | 13,873,780 | 13,873,780 |
| Bank overdraft | 3 | - | 46,633 | 46,633 |
| | | | - 191,406,531 | 191,406,531 |
| Total Liabilities | | | - 191,406,531 | 191,406,531 |

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| | Note(s) | Debt instruments at amortised cost | Financial liabilities at amortised cost | Total |
|--|---------|--|---|--------------------|
| 23. Categories of financial instruments (continued) | | | | |
| Categories of financial instruments - 2016 | | | | |
| Assets | | | | |
| Assets | | | | |
| Net loan and advances | 6 | 135,537,293 | - | 135,537,293 |
| Cash restricted for use | 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 | | | | |
| Loans and borrowings | 10 | - | 123,139,948 | 123,139,948 |
| Trade and other payables | 11 | - | 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 |

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| | 2017 GH¢ | 2016 GH¢ |
|--|--------------------|--------------------|
| 24. Risk management | | |
| Capital risk management | | |
| <p>The company's objectives when managing capital is to safeguard the company's ability to continue as a going concern. This is to ensure returns for shareholders benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.</p> <p>The capital structure of the company consists of debt, which includes borrowings (excluding derivative financial liabilities), disclosed in note 10, cash and cash equivalents disclosed in note 3, and as disclosed in the statement of financial position.</p> <p>Consistent with others in the industry, the company monitors capital on the basis of using the Bank of Ghana capital adequacy ratio.</p> <p>The company is required to keep a minimum capital requirement of 10% of its risk weighted assets as defined. During the financial year the Company did not breach this minimum requirement.</p> <p>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.</p> | | |
| Regulatory Capital | | |
| <p>Regulatory capital refers to the capital that the company must hold as stated 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¢ 15,000,000.</p> | | |
| Capital Adequacy | | |
| <p>The capital adequacy ratio is the quotient of the capital base and the company's weighted asset base. In accordance with the Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.</p> <p>Tier 1 capital, which includes ordinary stated capital, 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.</p> <p>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.</p> | | |
| Tier 1 Capital | 2017 | 2016 |
| Ordinary Stated Capital/Shares | 2,119,520 | 2,000,000 |
| Permanent Non - Cumulative Preference Shares | 16,413,305 | 16,413,305 |
| Retained earnings | 5,921,678 | 2,946,208 |
| Statutory reserves | 2,975,470 | - |
| Shareholder's Funds | 27,429,973 | 21,359,513 |
| Tier 2 Capital | | |
| Subordinated term debt | 13,714,987 | 10,679,757 |
| Total Regulatory Capital | 41,144,960 | 32,039,270 |
| Adjusted Risk-weighted Assets | 219,017,671 | 176,889,659 |
| Total Regulatory Capital Expressed as a percentage of Total-Risk Weighted Assets is | 17.81% | 18.11% |

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2017
GH¢

2016
GH¢

24. Risk management (continued)

Financial risk management

The company's activities exposes it to a variety of financial risks: market risk (this includes 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 the utilisation of all facilities 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 2017

| | Less than 1 year. | Between 1 and 2 years | Between 2 and 5 years | Total |
|--------------------------|----------------------|--------------------------|--------------------------|--------------------|
| Loans and borrowings | 123,858,718 | - | 53,000,000 | 176,858,718 |
| Trade and other payables | 6,999,819 | 2,609,318 | 4,264,643 | 13,873,780 |
| Bank overdrafts | 46,633 | - | - | 46,633 |
| | 130,905,170 | 2,609,318 | 57,264,643 | 190,779,131 |

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 |

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| 2017 | 2016 |
|------|------|
| GH¢ | GH¢ |

24. Risk management (continued)

Interest rate risk

The company's interest rate risk arises from long-term borrowings. Borrowings issued at a variable rate exposes the company to cash flow interest rate risk. During 2017 and 2016, the company's borrowings at variable rate were denominated in the Cedi.

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.

At December 31, 2017, if interest rates on Cedi-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been GH¢1,466,449 (2016: GH¢ 1,245,236) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowing.

Cash flow interest rate risk

2017

Loans and borrowings
Bank overdraft

Variable exposure

146,598,314
46,633

146,644,947

2016

Loans and borrowings
Bank overdraft

Variable exposure

123,139,948
1,383,613

124,523,561

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| 2017 | 2016 |
|------|------|
| GH¢ | GH¢ |

24. 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 banks of high quality credit standing and limits exposure to all counter parties. Loans and advances comprise a widespread customer base. Management evaluates 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 credit performances 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, to mitigate against.

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

| Financial instrument | 2017 | 2016 |
|---------------------------|--------------------|--------------------|
| Net loan and advances | 179,496,716 | 135,537,293 |
| Cash and cash equivalents | 21,583,145 | 2,333,286 |
| Cash restricted for use | 995,324 | 916,102 |
| | 202,075,185 | 138,786,681 |

Loans past due but not impaired

Izwe Savings and Loans PLC does not have any loans that are past due but not impaired as at 31 December 2017 (2016: GH¢ Nil). Loans and advances under this category arise where contractual interest or principal payments are past due but 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 allowance for impairment losses) when the Company determines that the loan is 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 is unable to pay the obligation. For smaller balance standardized loans, charge off decisions are generally based on a product specific past due status.

Concentration risk

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

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| | | |
|--|------|------|
| | 2017 | 2016 |
| | GH¢ | GH¢ |

24. 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.

At December 31, 2017, if the currency had strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been GH¢ (10,704) (2016: GH¢ 10,325) higher / (lower), mainly as a result of foreign exchange (loss) / gain on translation of US dollar denominated.

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

| 2017 | ZAR | USD | Cedis | Total |
|---------------------------|------------------|--------------------|----------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | - | 159,615 | 21,423,530 | 21,583,145 |
| Cash restricted for use | - | 995,324 | - | 995,324 |
| Other assets | - | - | 11,638,591 | 11,638,591 |
| Net loan and advances | - | - | 179,496,716 | 179,496,716 |
| | - | 1,154,939 | 212,558,837 | 213,713,776 |
| Liabilities | | | | |
| Bank overdraft | - | - | (46,633) | (46,633) |
| Trade and other payables | (112,115) | (831,771) | (12,929,894) | (13,873,780) |
| Loans from related party | - | (627,400) | - | (627,400) |
| Loans and borrowings | - | - | (176,858,718) | (176,858,718) |
| | (112,115) | (1,459,171) | (189,835,245) | (191,406,531) |
| 2016 | | | | |
| Assets | | | | |
| Cash and cash equivalents | - | 10,195 | 2,323,091 | 2,333,286 |
| Cash restricted for use | - | 916,102 | - | 916,102 |
| Other assets | - | - | 10,879,930 | 10,879,930 |
| Net loan and advances | - | - | 135,537,293 | 135,537,293 |
| | - | 926,297 | 148,740,314 | 149,666,611 |
| Liabilities | | | | |
| Bank overdraft | - | - | (1,383,613) | (1,383,613) |
| Trade and other payables | (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) |

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.

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 Anti Money Laundering Control Officer who consults the country's newly established Financial Intelligence Centre on money laundering and anti-terrorist financing matters.

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Notes to the Financial Statements

| 2017 | 2016 |
|------|------|
| GH¢ | GH¢ |

24. Risk management (continued)

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.

25. Contingencies

Contingent liabilities

There were no contingent liabilities or assets at the reporting date and at December 31, 2017.

Litigations and claims

There were no litigations and claims involving the company as at December 31, 2017.

26. Events after the reporting period

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

27. Comparative information

The comparative information refers in all cases to the previous audited financial statements for the year ended December 31, 2016.

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Financial Statements for the year ended 31 December 2017

Value added statement

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | GH¢ | GH¢ |
| Interest income and other operation income | 87,189,292 | 75,545,685 |
| Direct cost of Services and other cost | (59,918,408) | (53,182,070) |
| Impairment loss on financial assets | (10,959,535) | (9,104,948) |
| Value added | 16,311,349 | 13,258,667 |
| Distributed as follow | | |
| To employees: | | |
| Directors | (16,000) | (5,990) |
| Other employees and executive directors | (6,564,705) | (4,764,306) |
| Total | (6,580,705) | (4,770,296) |
| To government: | | |
| Income tax | (2,826,074) | (2,363,426) |
| To expansion and growth: | | |
| Depreciation | (863,834) | (585,016) |
| Amortisation | (89,796) | (116,011) |
| Retained earnings for the year | 5,950,940 | 5,423,918 |