DALEX FINANCE & LEASING COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER, 2018

JOP consult
Chartered Accountants

DALEX FINANCE & LEASING COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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DALEX FINANCE & LEASING COMPANY LIMITED

BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

Directors	Alex Kwasi Bruks John Owusu (Resigned 13th June 2018) William Owusu (Resigned 13th June 2018) Kofi Owusu Roland Akosah Kenneth Kwamina Thompson
Secretary	Acquah & Acquah Acquah Place 68 Mahogany Cresent Akuffo Addo Residential Area P. O. Bob CT 9376 Cantoments Accra
Registered office	House No. C114/3 Farrar Avenue, North Adabraka, Accra.
Auditor	JOP Consult Chartered Accountants P. O. Box TF 673 Taifa, Accra
Bankers	Access Bank Ltd. Ecobank Ghana Ltd. Fidelity Bank Ltd. GCB Bank GN Bank GT Bank National Investment Bank Prudential Bank Stanbic Bank Ghana Ltd. United Bank of Africa Zenith Bank Ghana Ltd.

DALEX FINANCE & LEASING COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited Financial Statements for the year ended 31st December, 2018 which discloses the state of affairs of the Company.

1. Statement of Directors' Responsibilities

The Directors are responsible for the preparation of the company's Financial Statements for each financial year, which gives a true and fair view of the state of affairs of the company and of the Income Statement and Cash flows for that period. In preparing these Financial Statements, the Directors have selected suitable accounting policies, and then applied them consistently, made judgements and estimates that are reasonable, prudent, followed International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act 1963, (Act 179), the Banks and Specialised Deposit-Taking Act 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749) and the Securities Industry Act, 2016 (Act 929).

The Directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention, detection of fraud and other irregularities.

2. Principal Activities

The principal activities of the Company are:

i. Acceptance of deposits & other repayable funds from the public
ii. Finance Leasing
iii. Lending
iv. Money Transmission
v. Guarantees & Commitments
vi. Credit Reference Services
vii. Electronic Banking
viii. Any other services that the Bank of Ghana may determine.

3. Results and Dividend

The Directors in submitting to the Shareholders the Financial Statements of the Company for the year ended December 31st 2018 report as follows: -

	2018 GH¢	2017 GH¢
The year's trading results were;		
Net Profit after tax	**9,021,932**	**9,636,492**
	=======	========

The Directors do not recommend the payment of any dividend for the year under review.

4. Appointment of Auditors

Messrs JOP Consult are willing to continue in office as auditors to the Bank for the ensuing year in accordance with the provision of Section 134 (5a) of the Companies Act, 1963 (Act 179) (as amended). The Directors hereby recommend their re-appointment.

The financial statements on pages 8 to 35 were approved by the Board on 28th March 2019 **and signed on its behalf by:**

....	....
Director	**Director**

DALEX FINANCE & LEASING COMPANY LIMITED

Independent Auditors' Report
To the members of Dalex Finance and Leasing Company Limited

Opinion
We have audited the financial statements of Dalex Finance & Leasing Company Limited, which comprise the statement of financial position as at December 31st 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 35.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31st 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking, Act 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749) and the Securities Industry Act, 2016 (Act 929).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISA). 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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, 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 Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the course of the year Dalex Finance and Leasing company limited secured a Subordinated Debt of GH¢16,750,000 from the Bond Market at an interest rate of 21% and fully payable in five years' time. The transaction was duly approved by the Bank of Ghana and Securities and Exchange Commission.

Responsibilities of the Board of Directors for the Financial Statements
The Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, with the requirements of the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Act, 2016 (Act 930),the Anti-Money Laundering Act, 2008 (Act 749) and the Securities Industry Act, 2016 (929) and for such internal control as The Board of 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 Board of 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 ISA will always detect 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 based on these financial statements.

As part of an audit in accordance with ISA, 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 The Board of Directors.

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

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

We communicate with The Board of 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.

DALEX FINANCE & LEASING COMPANY LIMITED

Independent Auditors' Report – continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- 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 by the company, so far as appears from our examination of those books;
- The statement of financial position and statement of comprehensive income are in agreement with the books of account; and
- The Financial Statements give a true and fair view of the state of affairs of the Company and its results for the year under review.
- The Company has complied with the provisions of the Banks and Specialised Deposit-Taking Act of 2016 (Act 930); the Anti-Money Laundering Act, 2008 (Act 749) and Anti-Terrorism Act, 2008 (Act 762).

The engagement partner on the audit resulting in this independent auditor's report is
Joseph Yaw Odame (ICAG/P/2019/1217)

JOP Consult (ICAG/F/2019/123)
(Chartered Accountants)
P. O. Box Ta 673, Taifa - Accra
Hse # 5, 32nd Avenue. Tantra Hill
Accra - Ghana

28th march
..2019

DALEX FINANCE & LEASING COMPANY LIMITED

Statement of Comprehensive Income
For the year ended 31st December 2018

	Note	2018 GH¢	2017 GH¢
Interest Income	4	194,056,307	167,193,915
Interest Expense	5	(134,142,997)	(122,134,634)
Net Interest Income		**59,913,310**	**45,059,281**
Other Operating Income	6	14,438,356	22,167,044
Operating Income		**74,351,666**	**67,226,325**
Charge for Credit Impairment			
Allowance	7	(9,847,201)	(10,384,778)
Operating Expenses	8	(51,615,989)	(43,055,183)
Net Profit before Tax		**12,888,476**	**13,786,364**
Income Tax Expense	17(i)	(3,222,120)	(3,460,554)
National Stabilization Levy	17(ii)	(644,424)	(689,318)
Net Profit for the Year		**9,021,932**	**9,636,492**
Adjustment for Fair Value on Investments		-	-
Total Net Profit for the year		**9,021,932**	**9,636,492**

DALEX FINANCE & LEASING COMPANY LIMITED

Statement of Financial Position
As at 31st December 2018

	Note	2018 GH¢	2017 GH¢
Non-Current Assets			
Property, Plant and Equipment	9	3,505,510	3,486,898
Intangible Assets	10	296,390	201,280
Available-for-sale	11	151,900	151,900
		3,953,800	3,840,078
Current Assets			
Cash and Cash Equivalents		8,831,388	38,006,164
Loans and Advances	12	537,494,879	455,871,616
Held-to-Maturity	13	109,134,016	82,197,610
Other Assets	14	5,281,611	5,747,390
		660,741,894	581,822,780
Total Assets		**664,695,694**	**585,662,858**
Equity			
Stated Capital	15	11,000,000	16,000,000
Income Surplus Account		16,478,742	20,471,843
Statutory Reserve Fund		26,044,130	21,533,164
Credit Risk Reserve		11,130,263	5,370,859
Capital Surplus Account		396,445	396,445
		65,049,580	63,772,311
Current Liabilities			
Deferred Tax Asset	16	47,207	146,619
Taxation	17	2,910,205	3,797,522
Interest Payable & Other Liabilities	18	3,199,668	1,399,746
Subordinated Debts		16,750,000	-
Due to Investment Customers		576,739,034	516,546,660
		599,646,114	521,890,547
Total Liabilities		**599,646,114**	**521,890,547**
Total Liabilities & Equity		**664,695,694**	**585,662,858**

The financial statements on pages 8 to 35 were approved by the board on .... and signed on its behalf by:

....
Director

....
Director

DALEX FINANCE & LEASING COMPANY LIMITED

Statement of Changes in Equity
For the year ended 31st December 2018

	Stated Capital	Capital Surplus	Income Surplus	Statutory Reserve Fund	Credit Risk Reserve	Total Equity
2018	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Balance at 1st January	16,000,000	396,445	20,471,843	21,533,164	5,370,859	63,772,311
Reversal-Credit Impairment Profit 2012	-	-	(2,830,790)	-	-	(2,830,790)
Prior Year Adjustment-Corporate Taxation	-	-	1,347,944	-	-	1,347,944
Additional Credit Impairment BOG Inspection	-	-	(7,021,221)	-	7,021,221	-
Transfer to Credit Risk Reserve	-		-		(1,261,817)	(1,261,817)
Adjustment-Capital Pending BOG Approval	(5,000,000)	-	-	-		(5,000,000)
Transfer to Statutory Reserve Fund	-		(4,510,966)	4,510,966	-	-
Net profit for the year	-	-	9,021,932	-	-	9,021,932
	11,000,000	396,445	16,478,742	26,044,130	11,130,263	65,049,580
2017						
Balance at 1st January	16,000,000	396,445	9,843,535	16,714,918	11,180,921	54,135,819
Prior Year Adjustment	-	-	-	-	-	-
Adjustment through Profit and Loss	-	-	5,810,062	-	(5,810,062)	-
Transfer to Statutory Reserve Fund	-	-	(4,818,246)	4,818,246	-	-
Net profit for the year	-	-	9,636,492	-	-	9,636,492
	16,000,000	**396,445**	**20,471,843**	**21,533,164**	**5,370,859**	**63,772,311**

DALEX FINANCE & LEASING COMPANY LIMITED

Statement of Cash Flow
For the year ended 31st December 2018

	2018 GH¢	2017 GH¢
Net Profit before Tax	12,888,476	13,786,364
Adjusted for:		
Depreciation	1,566,267	980,053
Gain on Sale of Property, Plant & Equipment	-	(55,850)
	14,454,743	14,710,567
Changes in:		
Loans and Advances	(81,623,263)	(104,226,823)
Other Assets	465,779	(914,207)
Other Payables	1,799,922	541,721
Investment Customers	60,192,374	118,786,121
	(4,710,445)	**28,897,379**
Income Tax	(3,505,331)	(3,156,109)
Net Cash used in Operating Activities	**(8,215,776)**	**25,741,270**
Cash Flow from Investing Activities		
Acquisition of Property, Plant & Equipment	(1,352,237)	(470,226)
Acquisition of Intangible Assets	(327,751)	-
Changes in Investment	(26,936,406)	(17,815,309)
Proceeds from Sales of Property, Plant & Equipment	-	55,850
Net Cash used in Investing Activities	**(28,616,394)**	**(18,229,685)**
Cash Flow from Financing Activities		
Introduction of Additional Capital	16,750,000	-
Stated Capital	(5,000,000)	-
Net Cash used in Financing Activities	**11,750,000**	**-**
Net Increase in Cash and Cash Equivalent	**(25,082,170)**	**7,511,585**

Analysis of Change in Cash and Cash Equivalent

Cash & Cash Equivalent at 1st January	38,006,164	30,494,579
Prior Year Adjustment	(4,092,606)	-
Net Increase in Cash and Cash Equivalent	(25,082,170)	7,511,585
Cash & Cash Equivalent at 31st December	**8,831,388**	**38,006,164**

DALEX FINANCE & LEASING COMPANY LIMITED

Notes to the Financial Statements
For the year ended 31st December 2018

1. Corporate Information
Dalex Finance and Leasing Company Limited is a Limited Liability Company incorporated in Ghana on the 13th September 2004 under the Companies Act 1963, (Act 179), and under the supervision of the Bank of Ghana. Its registered office and place of business are disclosed in the introduction of this report on page 2. The principal activities of the Company did not change as stated on page 3.

2. Basis of Preparation

a. Statement of Compliance
The Financial Statements of Dalex Finance and Leasing Company Limited have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the historical cost convention.

b. Basis of Measurement
The Financial Statements have been prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair values: financial instruments that are at fair value through profit or loss; financial instruments classified as available-for-sale; and property, plant and equipment.

c. Foreign Currency Translation

i. Functional and Presentational Currency
Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in Ghana Cedi (GH¢), which is the functional presentation currency.

ii. Transaction and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss account. Foreign Exchange gains and losses that relate to borrowings and, cash and cash equivalents are presented in profit or loss within other income or costs. All other Foreign Exchange gains and losses are presented in profit and loss within 'other (losses)/gains – net'.

d. Use of Estimates and Judgments

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the Financial Statements are disclosed in pages 6 to 39.

e. Fair value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair value.

f. Impairment

i. Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between it carrying amount, and the present value of the estimated cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individual significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

ii. Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated.

3. Accounting Policies

These financial statements were prepared by the Company in accordance with the IFRS issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

b. Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided for on the straight-line method at rates calculated to write-off the cost of each asset over its useful life. The rates used are:

Plant	10%	Computer	33.33%
Office Equipment	25%	Motor Vehicle	25%
Furniture and Fittings	20%	Leasehold Improvement	20%

c. Intangible Assets

Trademarks, licenses (including software) and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks, licenses and customer related intangible assets over their estimated useful lives.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of between three to five years.

d. Impairment testing of Property, Plant and Equipment

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash- generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

e. Non-Derivative Financial Instruments

These comprise investment in shares, treasury bills, cash and cash equivalents, trade and other receivables, loans and borrowings and trade and other payables.

f. Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

i. The rights to receive cash flows from the asset have expired.

ii. The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In such case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuous involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

g. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

h. Trade and Other Receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

j. Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that form an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

k. Available-for-sale Financial Investment

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve.

Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

l. Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

De-Recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

m. Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Income Statement.

n. Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably.

o. Trade and Other Payables

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

p. Employee Benefits

i. Defined Contribution Plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense in the income statement when they are due.

ii. Social Security and National Insurance Trust (SSNIT)

Under a National Deferred Benefit Pension Scheme, the Company contributes 13% of employee's basic salary to SSNIT for employee pensions. The Company's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

iii. Termination Benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

iv. Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The cost of short-term employee benefits is recognised as an expense in the period when the economic benefit is given, as an employment cost.

Unpaid short-term employee benefits as at the end of the accounting period are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund and a reduction in future cash payment.

q. Equity, Reserves and Dividend Payments

Share capital represents the nominal value of shares that have been issued.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Income surplus includes all current and prior period retained profits.

The Statutory Reserve Fund represents the cumulative amount set aside from the annual profit after tax as required by Section 34(1) of the Banks and Specialised Deposit-Taking Acts,2016 (Act 930).

Dividend distributions payable to equity shareholders shall be included in sundry creditors when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with Shareholders of the Company are recorded separately outside equity.

r. Offsetting of Financial Instruction

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

s. Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risk on financial assets. The collateral comes in various forms such as securities, letters of credit or guarantees, real estates, receivables and inventories.

The fair value of the collateral is generally assessed at a minimum at inception.

t. Collateral Repossessed

The Company determines whether a repossessed asset should be used for its internal use or should be sold. Assets to be sold are transferred to assets held for sale at their fair value at the repossession date in line with the company's policy and with regards to Bank of Ghana rules.

u. Renegotiated Loans

Where possible the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangement and the agreement of the new loan conditions. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

v. Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in Ghana where the Company operates and generate taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

w. Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright.

The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest.

The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term.

The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

The Company recognises assets leased out under either finance or operating lease in the balance sheet as a receivable at an amount equal to the net investment in the lease. The receipts are allocated between the principal lease receipts and income.

x. Revenue

Revenue Recognition

Interest income and expense on financial assets and liabilities held at amortized cost, are recognised in the income statement using the effective interest rate method.

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit and loss, as well as any interest receivable or payable, is included in the income statement in the year in which they arise.

The recognition of interest income ceases when the payment of interest or principal is in doubt, and does so automatically if principal or interest payments are 365 days overdue. Thereafter, interest is included in income only when it is received.

When financial assets or a group of similar financial assets have been written down as a result of impairment, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees, commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Dividends are recognised in the income statement when the company's right to receive payment is established.

Other operating income comprises other income including bad debt recovered, profit on disposal of property, plant and equipment, derecognised available-for-sale financial assets, lease rentals, fees on loans and foreign exchange differences.

y. Operating Expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

z. Measurement of Impairment and Provision for Credit Losses

The estimation of the amount of credit impairment allowance on advances, arising either due to renegotiation of the payment terms or non-performance on the part of the beneficiary, vis-a-vis the amount of loan provisioning in accordance with Bank of Ghana Rules is the Company's most critical accounting estimate. Any excess of provisions according to Bank of Ghana requirement over the IFRS Credit Impairment allowance is recognised in Equity.

aa). New Standards and Interpretations not yet adopted

1. IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019

Key requirements

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance

Impact

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities. Lessor accounting will result in little change compared to today's lessor accounting.
The

The standard requires lessees and lessors to make more extensive disclosures than under IAS 17.

Given the significant accounting implications, lessees will have to carefully consider the contracts they enter into to identify any that are, or contain, leases. This evaluation will also be important for lessors to determine which contracts (or portions of contracts) are subject to the new revenue recognition standard.

2. IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021.

Background

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Marg in (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (nondistinctive investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

• Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Impact

IFRS 17, together with IFRS 9, will result in a profound change to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

Impact

IFRS 15 is more prescriptive than current IFRS and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes. Therefore, it is important for entities to start assessing the impact early.

3. Prepayment Features with Negative Compensation - Amendments to IFRS 9

Effective for annual periods beginning on or after 1 January 2019.

Key requirements

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

Impact

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

4. Modification or exchange of a financial liability that does not result in derecognition

In the basis for conclusions to the amendments, the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification (or exchange) does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition.

This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognised in profit or loss.

The IASB made this comment in the basis for conclusions to the amendments as it believes that the existing requirements in IFRS 9 provided an adequate basis for entities to account for modifications and exchanges of financial liabilities and that no formal amendment to IFRS 9 was needed in respect of this issue.

Impact

The IASB stated specifically that this clarification relates to the application of IFRS 9. As such, it would appear that this clarification does not need to be applied to the accounting for modification of liabilities under IAS 39. Any entities that have not applied this accounting under IAS 39 are therefore, likely to have a change of accounting on transition. As there is no specific relief, this change needs to be made retrospectively.

	2018 GH¢	2017 GH¢
4. Interest Income		
Loans and Advances	30,972,740	37,500,077
Lease Interest	75,826	214,180
Interest on Fixed Income Loans	136,928,737	105,935,066
Interest on Investments	26,079,004	23,544,592
	194,056,307	**167,193,915**

5. Interest Expenses

Fixed Deposits	131,923,896	121,918,511
Overdraft Interest	2,219,101	216,123
	134,142,997	**122,134,634**

6. Other Operating Income

Profit on Sale of Plant, Property & Equipment	-	55,850
Interest on Bank Balance	1,723,907	2,181,126
Fees on Loans	12,714,449	19,930,068
	14,438,356	**22,167,044**

7. Credit Impairment Allowance

Provision as at 1st January	43,833,392	33,448,614
Provision Charge for the Year	9,847,201	10,384,778
	53,680,593	**43,833,392**

DALEX FINANCE & LEASING COMPANY LIMITED

Notes to the Financial Statements
For the year ended 31st December 2018 – continued

8. Operating Expenses	**2018 GH¢**	**2017 GH¢**
Staff Costs	10,486,285	8,305,497
Directors' Fees	35,000	45,000
Directors' Remuneration	845,040	813,600
Repairs and Maintenance	379,405	373,724
Medical	503,444	605,247
Rent and Rates	1,122,664	991,441
Security	222,581	174,567
IT Expenses	1,370,959	1,006,881
Commission	18,677,190	16,709,852
Courier and Communication	895,222	841,439
Corporate Social Responsibility	89,188	102,100
Fuel and Lubricants	259,457	130,190
Printing and Stationery	183,524	289,538
Legal Fees	1,481,498	735,211
Registration & Insurance	199,088	196,648
Utility	693,173	398,701
Bank Charges	1,069,742	618,481
Travelling and Transport	1,362,807	1,886,964
Advertising and Business Promotion	1,789,212	1,155,075
Subscription and Donation	209,424	59,013
Office Expenses	407,365	410,345
Administrative Charges	5,106,892	3,713,894
Professional Services	669,679	637,689
Audit Fee	43,750	41,250
Staff Training	413,753	217,956
Staff Welfare	823,069	885,197
Other Operational Expenses	710,311	729,628
Depreciation	1,566,267	980,055
	51,615,989	**43,055,183**

Notes to the Financial Statements
For the year ended 31st December 2018 – continued

9. Property, Plant and Equipment

	Leasehold Improvement GH¢	Plant GH¢	Motor Vehicle GH¢	Office Equip't GH¢	Furniture & Fittings GH¢	Computers GH¢	Land Building GH¢	Total GH¢
Cost								
At 1st January 2018	1,140,866	158,053	2,122,545	564,646	1,215,144	851,473	761,132	6,813,859
Additions	88,509	-	373,834	46,860	111,748	731,285	-	1,352,236
Disposal	-	-	-	-	-	-	-	-
At 31st December 2018	1,229,375	158,053	2,496,379	611,506	1,326,892	1,582,758	761,132	8,166,095
Accumulated Depreciation								
At 1st January 2018	265,413	91,052	1,460,221	376,000	511,300	622,975	-	3,326,961
Charge for the year	447,816	14,530	381,710	93,318	191,784	204,468	-	1,333,626
Disposal	-	-	-	-	-	-	-	-
At 31st December 2018	713,229	105,582	1,841,931	469,318	703,084	827,443	-	4,660,587
Net Book Value At 31st December 2018	**516,146**	**52,471**	**654,448**	**142,188**	**623,808**	**755,315**	**761,132**	**3,505,510**
Cost								
At 1st January 2017	1,140,866	158,053	2,280,723	469,730	935,919	755,388	761,132	6,501,811
Additions	-	-	-	94,916	279,225	96,085	-	470,226
Disposal	-	-	(158,178)	-	-	-	-	(158,178)
At 31st December 2017	1,140,866	158,053	2,122,545	564,646	1,215,144	851,473	761,132	6,813,859
Accumulated Depreciation								
At 1st January 2017	265,413	75,027	1,192,597	292,436	311,867	442,485	-	2,579,825
Charge for the year	-	16,025	425,802	83,564	199,433	180,490	-	905,314
Disposal	-	-	(158,178)	-	-	-	-	(158,178)
At 31st December 2017	265,413	91,052	1,460,221	376,000	511,300	622,975	-	3,326,961
Net Book Value At 31st December 2017	**875,453**	**67,001**	**662,324**	**188,646**	**703,844**	**228,498**	**761,132**	**3,486,898**

9a. Profit on disposal of property, plant & equipment

	2018 GH¢	2017 GH¢
Cost	-	158,178
Accumulated depreciation	-	(158,178)
Net book value	-	-
Sale proceeds	-	55,850
Profit on disposal	-	**55,850**

10. Intangible Assets (Computer Software)

	GH¢	GH¢
Costs		
At 1st January, 2018	387,060	387,060
Additions	327,751	
At 31st December, 2018	714,811	387,060
Accumulated Depreciation		
At 1st January, 2018	185,780	111,041
Charge for the year	232,641	74,739
At 31st December, 2018	418,421	185,780
Net book value – 2018	**296,390**	**201,280**

11. Available – for- sale

This represents quoted equity investment in Tullow Oil Company Limited.

12. Loans and Advances

	2018 GH¢	2017 GH¢
Gross Loan	591,175,472	499,705,008
Provision for Bad and Doubtful Debts	(53,680,593)	(43,833,392)
	537,494,879	**455,871,616**

13. Held – to- Maturity

This represents the company's investment in fixed deposits.

14. Other Assets

	GH¢	GH¢
Lease Receivables	195,094	573,130
Prepayments	5,086,517	5,174,260
	5,281,611	**5,747,390**

Notes to the Financial Statements
For the year ended 31st December 2018 – continued

		No of Shares	2018 GH¢	No of Shares	2017 GH¢
15.	**Stated Capital**				
a.	**Authorized Shares**				
	Number of Ordinary Shares Of no par value	10,000,000	-	10,000,000	-
b.	**Issued shares**				
	Issued for Cash	10,000	16,000,000	10,000	16,000,000
	From Income Surplus		-	-	-
	Reversal-Capital Pending BOG		(5,000,000)		
	approval	-	-	-	-
		10,000	**11,000,000**	**10,000**	**16,000,000**

		2018 GH¢	2017 GH¢
16.	**Deferred Taxation**		
	Balance at 1st January	(146,620)	(175,252)
	Charged for the year	99,413	28,633
	Balance at 31st December	**(47,207)**	**(146,619)**

Recognised Deferred Tax Assets and Liabilities

	Assets GH¢	Liabilities GH¢	2018 Net GH¢
Property, Plant and Equipment	-	(47,207)	(47,207)
Others	-	-	-
			(47,207)

	Assets GH¢	Liabilities GH¢	2017 GH¢ GH¢
Property, Plant and Equipment	-	(146,619)	(146,619)
Others	-	-	-
			(146,619)

DALEX FINANCE & LEASING COMPANY LIMITED

Notes to the Financial Statements
For the year ended 31st December 2018 – continued

17. Taxation

i. Income Tax Expense

	2018 GH¢	2017 GH¢
Current tax expenses	3,321,533	3,489,187
Deferred tax expenses	(99,413)	(28,633)
	3,222,120	**3,460,554**

ii. Taxation Payable

	Balance at 1st Jan. GH¢	Payment/ Adjustment GH¢	Profit & Loss A/c GH¢	Balance at 31st Dec. GH¢
2016	681,354	(2,632,721)	-	(1,951,367)
2017	333,078	2,329,901	-	2,662,979
2018		(3,505,331)	3,321,533	(183,798)
	1,014,432	(3,808,151)	3,321,533	527,814
NSL 2013	151,934	(151,934)	-	-
NSL 2014	544,314	-	-	544,314
NSL 2015	255,934	-	-	255,934
NSL 2016	1,141,590	(362,781)	-	778,809
NSL 2017	689,318	(530,408)	-	158,910
NSL 2018	-	-	644,424	644,424
	3,797,522	**(4,853,274)**	**3,965,957**	**2,910,205**

iii. Reconciliation of effective tax rate
Analysis of taxation charge in the year:

	2018 GH¢	2017 GH¢
Profit before tax	12,888,476	13,786,365
Tax at 25% (2017:25%)	3,222,119	3,446,591
Non-deductible expenses	391,567	245,013
Capital Allowance	1,168,614	809,669
Deferred Tax	(99,413)	(28,633)
Current tax charge	**4,682,887**	**4,472,640**
Effective Tax Rate	**36.33%**	**32.44%**

The income tax for the year was based on a tax rate of 25% on profit before tax.
The effective tax rate for the year is higher than the standard rate of corporate tax in Ghana.

18. Interest Payable & Other Liabilities

	2018	2017
	GH¢	GH¢
Accruals & Sundry Creditors	3,199,668	1,399,746
	=======	=======

19. Financial Risk Management

a. Overview

The company has exposure to the following risk from its use of financial instruments:

i. Credit risk
ii. Liquidity risk
iii. Market risk
iv. Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing risk and the Company's Management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board's audit committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation with the risk faced by the Company.

The audit committee gain assurance in relation to the effectiveness of internal control and risk management from: summary information in relation to the management of identified risks; detailed review of the effectiveness of management of key risks and results of management self-assessment process over internal control, which ensures that the audit committee and management understand the company's key risks and risk management capability; set standards on governance and compliance; and provides assurance over the quality of the Company's internal control and management of key risks.

The Company also has in place mechanisms which monitors compliance with internal procedures and also assesses the effectiveness of internal controls.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

b. 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.

A facility is considered to be in default when payment is not received on the due date. Facilities that are overdue by more than 365 days are considered delinquent.

Those amounts are monitored closely to ensure that the amounts granted are recovered. Loans are designated impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable.

Where any amount is considered uncollectable, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is held to cover the inherent risk of losses, which although not identified, are known through experience to be present in any loan portfolio. The portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as economic environment and the trends in key portfolio indicators.

Exposure to Credit Risk

The carrying amount of loans and advances represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date by customer type was:

	2018 GH¢	2017 GH¢
Individuals	436,858,940	347,102,997
Institutions	159,899,824	152,602,001
	596,758,764	**499,704,998**

Provision for impairment losses on loans and advances were determined strictly in accordance with the Bank of Ghana regulations and IAS 39.

C. Liquidity Risk

Liquidity risk is the risk that the Company either does not have sufficient financial resources available to meet its obligations and commitments as they fall due, or can access them only at excessive cost. The Company's approach to managing liquidity is to ensure that it will maintain adequate liquidity to meet its liabilities when due.

It is the Company's policy to maintain adequate liquidity at all times, and for all currencies.

Liquidity risk management is the responsibility of the Assets and Liabilities Committee. This is to ensure that cash balances do not go below some minimum threshold. The committee is also responsible for statutory and prudential liquidity. These responsibilities include the granting of authorities, policies and procedures.

A substantial portion of the Company's assets are funded by market borrowings. These borrowings diversified by maturity, and represent a stable source of funds.

The following are contractual maturities of financial liabilities and assets:

	2018	**2017**
	GH¢	**GH¢**
Interest Payable and Other Liabilities	3,199,668	1,399,746
Due to Investment – Customers	576,739,034	516,546,660
	579,938,702	517,946,406
Cash and Cash Equivalents	8,831,388	38,006,164
Loan and Advances	537,494,879	498,534,794
Held-to-Maturity Investment	109,134,016	82,197,610
Other Assets	5,281,611	1,170,214
	660,741,894	619,908,782
Net Liquidity Gap	**80,803,192**	**101,962,376**

d. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign Exchange Exposure

The Company's foreign exchange exposure comprises foreign currency translation exposures. The Company manages its foreign currency transactions very well to ensure that there are very minimal foreign currency risk exposures.

Exchange Rate Analysis

The Company operates wholly within Ghana and its assets and liabilities are carried in local currency. The Company is exposed to the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates. The Company's currency position and exposure are managed within the exposure guideline stipulated by the Bank of Ghana.

Foreign Exchange Risk

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

i. Foreign exchange exposures represent net currency positions of all currencies other than Ghana Cedis (GH¢).

ii. The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.

iii. The base currency in which the company's business is transacted is Ghana Cedis (GH¢).

Applicable exchange rates as at 31st December were as follows:

	2018	2017
United States Dollars ($)	4.8354	4.4157
Euro (€)	5.5307	5.2964

Management of Interest Rate Exposure

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair value of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands.

e. Operational Risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. The Company seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

20. CONTINGENT LIABILITIES AND COMMITMENTS

i. **Contingent Liabilities**

Pending legal suits:

There were no contingent liabilities as at the balance sheet date.

ii. **Commitments**

There was no capital commitment for the period under review.

21. RELATED PARTY TRANSACTIONS

Directors, Senior Officers and other employees:
The following are loan balances from related parties:

	2018	2017
	GH¢	GH¢
Senior Officers	246,288	53,020
Other Employees	409,975	419,836
	656,263	**472,586**

The Company granted various credit facilities to its senior officers and other employees.

The rates and terms agreed are comparable to other facilities being held in the company's portfolio.

22. PRIOR YEAR ADJUSTMENT

The following prior year adjustments were passed to the income surplus account;

i. **Taxation**	**GH¢**
Corporate Tax	302,820
National Stabilization Levy	1,045,123
	1,347,943

These adjustments represent the differences between the Company's tax position as per the 2017 audited accounts and the Ghana Revenue Authority's final tax position after a tax inspection in 2018.

ii. **Reversal-Credit Impairment Profit 2012**
This adjustment followed a Bank of Ghana directive for the reversal of increased profit resulting from IAS 39 compliance for 2012 financial year.

23. EVENT AFTER THE REPORTING PERIOD

No significant event occurred after the end of the reporting date which is likely to affect these financial statements.