BAYPORT

SAVINGS AND LOANS

BAYPORT SAVINGS AND LOANS

Annual Financial statements
for the year ended 31 December 2020

Index

The reports and statements set out below comprise of the financial statements presented to the shareholders:

General Information

Country of incorporation and domicile	Ghana	
Nature of business and principal activities	Provision of Micro-credit and Finance	
Directors	Francis Wood (Chairman)	
	Bryan Arlow	
	David Adomakoh	
	Julia Asante Anim	Approved 8th April 2020
	Amina Abugdanpoka Kaguah	Approved 8th April 2020
	Emily Slota	Approved 11th August 2020
	Nii Amankra Tetteh (Managing Director)	
	Sandro Rtveladze	Resigned 23rd April 2020
Business address	71 Osu Badu Street Airport West Accra	
Parent company	Bayport Management Ltd incorporated in the Republic of Mauritius	
Main bankers	Standard Chartered Bank Ghana Limited First Atlantic Bank Limited - Ghana Stanbic Bank Ghana GCB Bank Fidelity Bank United Bank For Africa Universal Merchant Bank Absa Bank Agricultural Development Bank Zenith Bank Ghana Ecobank Ghana Ltd	
Auditor	Ernst & Young Chartered Accountants G15, White Avenue P.O. Box KA16009 Airport, Accra, Ghana	
Secretary	Dehands Services Limited 2nd Floor, Opeibea House 37 Liberation Road P.O. Box Ct 9347, Cantonments	
Company registration number	PL000022016	

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 2019 (Act 992) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual 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 year then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditor is engaged to express an independent opinion on the annual financial statements.

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

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

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

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2021 and, in the light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 14 to 55, which have been prepared on the going concern basis, were approved by the board of directors on 30th March 2021 and were signed on their behalf by:

Director | **Director**

Directors' Report

The directors have the pleasure in submitting their report on the annual financial statements for Bayport Savings and Loans (the "Company") for the year ended 31 December 2020.

1. Incorporation

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

On 31 March 2017, by way of a special resolution and approval of the Registrar of Companies, the Company changed its name to Bayport Savings and Loans following the upgrade of its banking license from finance house to savings and loans.

2. Review of financial results and activities

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

As from August 2017, the Bank of Ghana granted a Savings and Loans Licence to the Company under the Banks and Specialised Deposit Taking Institution Act 2016 (Act 930).

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

This year is marked by the difficult operating context caused by the Covid-19 crisis.

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

3. Authorised and issued share capital

There was no issue of shares during the year ended 31 December 2020 and 31 December 2019.

4. Dividends

No dividends were declared or paid to the shareholders during the year (31 December 2019: nil).

5. Director

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

Name	
Francis Wood (Chairman)	
Bryan Arlow	
David Adomakoh	
Julia Asante Anim	Approved 8th April 2020
Amina Abugdanpoka Kaguah	Approved 8th April 2020
Emily Slota	Approved 11th August 2020
Nii Amankra Tetteh (Managing Director)	
Sandro Rtveladze	Resigned 23rd April 2020

6. Going concern

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual 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 noncompliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

The effect of COVID-19 has resulted in decreased walk-in clients due to government imposed restrictions on activities. However, this has not had any impact on our ability to continue as a going-concern.

Directors' Report (continued)

7. Secretary

The secretary of the Company is Dehands Services Limited of:
Business address:
2nd Floor, Opeibea House
37 Liberation Road
P.O. Box Ct 9347, Cantonments
Accra, Ghana

8. Parent Company

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

9. Change in accounting policies

During the year ended 31 December 2019, the Company applied IFRS 16 Leases using the modified retrospective approach. Refer to note 31 for impact of changes in accounting policies to the financial statements.

10. Auditor

Ernst & Young were appointed on 9th June 2020 and will continue in office in accordance with section 134 (5) of the Companies Code 1963, (Act 179) and the section 20 of the Banking and Specialised Deposit Institutions (Act 930).

11. Comparatives

The 2019 comparatives presented in the financial statements represent Bayport Savings and Loans figures only.

12. Audit fees

The amount payable by way of audit fees at the end of the year was GHC 46,218 in accordance with section 136 (subsection 1d) of the Companies Act 2019 (Act 992).

13. Corporate Social Responsibility

The Company engaged in some corporate social responsibility (CSR) in the year. Below is the corporate social responsibility for 2020.

Event	Event details	Amount (GHC)
Scholarship scheme	Sponsoring of 5 students at various tertiary institutions	15,200
Covid-19	Donated items such as face mask, toiletries and water to hospitals due to the covid-19 pandemic	115,000

14. Capacity Building of Directors

During the year ended 31 December 2020, the Company engaged the services of a consultant to train the directors in Corporate Governance and other related matters in line with Bank of Ghana requirements and in accordance with the Companies Act 2019 (Act 992).

Directors' Report (continued)

Directors' Performance Evaluation

The performance and effectiveness of the board of Directors (the board), and its committee is evaluated annually. The evaluation is conducted by assessing the Board's composition and quality, its understanding of the business including risks, and its oversight of the Company's financial reporting process, audit and compliance functions. The results of the evaluation are shared with all members of the Board, the issues arising from the evaluation are discussed at a board meeting and remedial action taken if necessary. 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.

Corporate Governance

Bayport Savings & Loans PLC is committed to strong corporate governance practices that allocate responsibilities among the Company's shareholders, the Board and Executive Management to provide effective oversight and management of the Company with a view to enhancing longterm shareholder value.

The board is the focal point for, and ultimate custodian of, corporate governance. To achieve this, it endeavors to find the correct balance between compliance with corporate governance recommendations and best practice, while maintaining the company's performance and meeting strategic, operational and financial objectives.

The board ensures that the company is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the company but also the impact that business operations have on the environment and the society in which it operates. In doing so the board appreciates that stakeholders' perceptions affect the reputation of the company.

In discharging its Corporate Governance responsibilities, Bayport Savings and Loans PLC is guided by relevant laws and regulations and international best practices. The Company's corporate governance principles are contained in a number of corporate documents, including the Company's Regulations, the Board Charter, Corporate Governance Charter, Charters of Board and Management Committees, Conflict of Interest Policy and other policies that govern the daytoday operations and ethical behaviours of staff and other relevant stakeholders.

The board is responsible for directing the company towards the achievement of its vision and is ultimately accountable for the company's operating performance, financial results, and practices within the company's framework of corporate governance. The day to day management of the company is vested in the Managing Director and the management team appointed by him. Subject to any limitation imposed by the Companies Act and Regulations, the management of the business of the company shall be vested in the directors. The board is made up of a majority of NonExecutive Directors.

One (1) non-executive director resigned as a board member in April 2020. As at December 2020 the Board had Seven (7) members, made up of Six (6) non-executive Directors and One (1) executive director. The Company has nominated Three (3) independent non-executive directors to fill the vacancies on the board. The board has delegated various aspects of its work to Audit and Finance Committee and Risk and Compliance Committee. Board subcommittee members are appointed by the Board. The subcommittee has its own written terms of reference, duties and authorities as determined by the board.

The Audit and Finance Committee and Risk and Compliance Committee are made up of 3 and 4 non-executive directors respectively. The purpose of the Committee is to assist the board of directors in discharging its oversight responsibilities for:

- Establishing, maintaining and ensuring effective operational and financial control systems.
- Maintaining the integrity of financial reporting.
- Establishing a framework for identification, management, control and monitoring of board risks, and for assuring legal and regulatory compliance, including antimoney laundering and antiterrorist financing.
- It oversees the effectiveness of the internal and external control systems of the company and monitors compliance by the company with all legal and statutory requirements for ensuring high standards in corporate good governance, financial reporting and ethical behaviour on the part of all officers and employees of the company including its other stakeholders.
- The Committee performs the following duties on behalf of the Board;Oversight of the Company's financial reporting process and integrity to ensure that the financial statements are fairly stated.

Reviewing the quarterly financial statements before submission to the Board for approval, with particular reference to:

- Changes, if any, in accounting policies and practices and reasons for the same.
- Significant adjustments made in the financial statements arising out of audit findings.
- Disclosure of any related party transactions.
- Qualifications in the draft audit report.
- Oversight of the Company's Relationship with External and Internal Auditors.

The Audit and Finance Committee and the Risk and Compliance Committee have the authority and direct responsibility to make recommendations to the Board of Directors with respect to the appointment, retention, compensation, evaluation and where appropriate replacement of the external auditors for approval and/or ratification by Shareholders.

Approving Internal Audit plans, monitoring and reviewing the effectiveness of internal controls and the internal audit function.

Directors' Report (continued)

Reviewing the Company's program for compliance with laws and regulations, and the record of such compliance and significant legal cases outstanding against the Company, and other regulatory or legal matters that may have a material impact on the Company's financial statements or compliance.

Reviewing Compliance reports on antimoney laundering and antiterrorist financing and filings of suspicious transactions and discussing with Management the modalities for enhancing its zerotolerance for antimoney laundering related activities.

Disclosures under the Corporate Governance Directive 2019 (*for Banks, Savings & Loans Companies, Finance Houses and Financial Holding Companies*)

Annual Certification

The Board has independently assessed the Company's corporate governance processes in the light of Bank of Ghana's Corporate Governance Directive and implemented an action plan towards full compliance.

Directors are aware of their responsibilities to the Company as persons charged with governance. These responsibilities are detailed in the Board Charter, the Corporate Governance Policy and the Conflict of Interest Policy which guide the board in discharging its governance responsibilities.

Directors have participated in a corporate governance programme which encompassed directors' responsibilities under relevant laws and regulations.

Board Meeting Attendance

The board met four times during the year under review, the table below details attendance of individual board members.

Directors	Number of meetings held in 2020	Number of meetings held while in office	Number of meetings attended	% of meetings attended
Nii Amankra Tetteh (Managing Director)	4	4	4	100%
Francis Wood (Chairman)	4	4	4	100%
David Adomakoh	4	4	4	100%
Bryan Arlow	4	4	4	100%
Julia Asante Anim	4	3	3	100%
Amina Abugdanpoka Kaguah	4	3	3	100%
Emily Slota	4	2	2	100%
Sandro Rtveladze	4	1	1	100%

Directors Shareholding

None of the directors held shares in the Company as at 31 December 2020.

Profile of Directors

Name	Director's profile	Other Directorships
Nii Amankra Tetteh (Managing Director)	BSc Agriculture (Economics Major) from the University of Ghana Legon Post Graduate Certificate in Management from the University of Leicester United Kingdom Executive Masters in Business Administration from China Europe International Business School, Accra-Ghana Executive Management Certification from IESE Business School, University of Navarra, Barcelona - Spain	None
Francis Wood (Board Chairman)	BSC in Architecture from McGill University MBA Finance Management Strategy from London Business School	PAWO LTD (GHANA)
David Adomakoh	BSc Economics from London School of Economics, University of London Diplome de Langue et de Civilisation from La Sorbonne Universite de Paris A World Fellow of the Duke of Edinburg International Award	Aker Energy As Kagisto Tiso Holdings (PTY) Ltd Vanguard Group Limited Tih Africa Limited Tiso Blackstar Group Se Tiso Blackstar Group Proprietary Limited
Bryan Arlow	Bachelor of Accounting Science from University of South Africa CTA from the University of South Africa Certified Chartered Accountant, South African Institute of Chartered Accountants	Actvest (PTY) Ltd Bayport Financial Services (PTY) Ltd Bayport Financial Services Ltd (Zambia) The Real Automobile Finance and Insurance Consulting Company (PTY) Ltd
Julia Asante Anim	B.Eng (Telecoms) from Queen Mary and Westfield college, London-United Kingdom MSc Banking and International Finance from Cass Business School, London-United Kingdom	Amber Keye Investments Limited Ntiamoah Foundation
Amina Abugdanpoka Kaguah	Bachelor of Laws from University of Ghana, Legon Qualifying Certificate of Law from the Ghana School of Law	IPC Petroleum Ghana Ltd
Emily Siota	Bachelor of Arts from Stanford University, California Master of Public Administration in International Development from Harvard Kennedy School, Massachusetts Master of Business Administration from Harvard Business School, Massachusetts.	Liquid Financial Services Ltd Hamanok Okai Whelan Ltd High Return Cash Fund Plc High Yield Income Fund Ltd

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYPORT SAVINGS AND LOANS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bayport Savings and Loans (the Company) set out on pages 14 to 55, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the provisions of the Companies Act, 2019 (Act 992) and the Banks and Specialized 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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 these requirements and 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 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, we have provided our description of how our audit addressed the matter as provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans and advances to customers	
IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since the initial recognition and recognition of impairment. It could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that takes into account: ▸ The probability-weighted outcome. ▸ Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Company's Expected Credit Loss includes: ▸ Use of assumptions in determining ECL modelling parameters. ▸ portfolio segmentation for ECL computation ▸ Determination of a significant increase credit risk and ▸ Determination of associations between macroeconomic scenarios. The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on loans and advances to customers. Due to the significance of such loans and the significant use of judgements, the assessment of the allowance for expected credit losses is a key audit matter. The information on expected credit losses on loans and advances to customers is provided in Note 4 Loans and advances to customers of changes in the gross carrying amount and the corresponding ECL allowances in the financial statements.	We have obtained an understanding of the company's implementation process of IFRS 9, including understanding of the changes to the Company's IT systems, processes and controls. Additionally, we obtained an understanding of the credit risk modelling methodology. We validated and tested the ECL model of the company by assessing the data integrity and the internal controls around the model. We have also performed, among others, the following substantive audit procedures: ▸ Reviewed the accounting policies and framework methodology developed by the company in order to assess its compliance with IFRS 9; ▸ Verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model. ▸ Reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9, concentrating on aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) ▸ Tested the accuracy and completeness of data used in modelling the risk parameter, Recalculating the ECL, ▸ Reviewed forward looking information / multiple economic scenario elements ▸ For stage 3 exposures, we tested the reasonableness of the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral, estimated period of realisation for collaterals, etc. ▸ We have also analysed information relating to the allowance for expected credit losses on loans and advances to customers disclosed in the notes to the financial statements of the company.

Other information

The Directors are responsible for the other information. The other information comprises corporate information (Directors, Officials and Registered Office), report of the Directors and statement of Directors' responsibilities. Other information 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 an audit opinion or 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 on the other information obtained prior to the date of this Auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialized 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 relating 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.

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

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 judgement 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 controls 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 Directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

We also provide the Directors 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 the directors, 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, in 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 requirements

The Companies Act, 2019 (Act 992) 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 purposes 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;

- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and

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- The statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

- In our opinion, to the best of our information and according to the explanations given to us, the accounts give the information required under the Act, in the manner so required and give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year then ended.

- We are independent of the Company pursuant to Section 143 of the companies Act, 2019 (Act 992).

The Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) under Section 85(2) requires that we report on certain matters. Accordingly, we state that:

- The accounts give a true and fair view of the statement of affairs of the company and the results of operations for the year under review;

- We were able to obtain all the information and explanations required for the efficient performance of our duties;

- The transactions of the company are generally within the powers of the company;

- The company has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

The company has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;

The Engagement Partner on the audit resulting in this independent Auditor's Report is Pamela Des Bordes (ICAG/P/1329).

Ernst & Young

Ernst & Young (ICAG/F/2021/126)
Chartered Accountants
Accra, Ghana

Date: 30 . 03 . 2021

Statement of Profit or Loss and Other Comprehensive Income

Figures in Ghana Cedi	Note(s)	31 December 2020	31 December 2019
Interest income	3	291,463,305	259,824,535
Interest expense	4	(144,761,071)	(120,063,082)
Net interest income		**146,702,234**	**139,761,453**
Fees and commission income		3,999,525	4,092,538
Net fees and commission income		**3,999,525**	**4,092,538**
Net trading income		**150,701,759**	**143,853,991**
Other operating income		348,506	187,292
Other income	5&6	2,827,994	2,635,632
Operating income		**153,878,259**	**146,676,915**
Net impairment loss on financial asset	8&9	(18,523,480)	(31,340,001)
Foreign exchange losses		(1,569,285)	(6,386,733)
Personnel expenses		(27,715,299)	(50,421,030)
Depreciation and amortisation	10&11&12	(11,656,284)	(13,578,616)
Other expenses	6	(68,003,230)	(63,237,280)
Profit/(loss) before taxation	22	**26,410,681**	**(18,286,745)**
Income tax (expense)/credit	13.1	(8,568,254)	4,421,006
Profit/(loss) for the year		**17,842,427**	**(13,865,739)**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**17,842,427**	**(13,865,739)**
Basic earnings per share (pesewas per share)	30	0.1270	(0.0987)
Diluted earnings per share (pesewas cedis per share)	30	0.1270	(0.0987)

The accounting policies on pages 18 to 30 and the notes on pages 31 to 55 form an integral part of the financial statements.

Statement of Financial Position as at 31 December 2020

Figures in Ghana Cedi	Note	31 December 2020	31 December 2019
Assets			
Current Assets			
Cash and cash equivalents	7	21,965,372	11,297,868
Loans and advances to customers	8	675,781,352	701,892,127
Other assets	9	59,560,875	3,436,128
Property and equipment	10	7,142,097	10,158,805
Intangible assets	11	7,980,490	11,569,467
Right-of use assets	12	2,845,939	4,544,625
Current tax assets	13.2	13,791,460	12,275,998
Deferred tax balances	13.3	12,257,132	18,969,213
Total Assets		**801,324,717**	**774,144,231**
Liabilities and Equity			
Liabilities			
Deposits from customers	14	104,470,260	70,561,625
Other liabilities	15	32,323,677	48,360,012
Borrowings	16	378,827,883	354,609,749
Loans from shareholders	17	142,380,666	175,133,041
Total liabilities		**658,002,486**	**648,664,427**
Equity			
Share capital	18	29,942,217	29,942,217
Statutory reserves	19	26,431,042	21,970,435
Regulatory credit risk reserves	20	7,119,559	9,980,164
Other reserves	21	(8,969,016)	(8,969,016)
Income surplus		88,798,429	72,556,004
Total Equity		**143,322,231**	**125,479,804**
Total Liabilities and Equity		**801,324,717**	**774,144,231**

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on pages 3. The annual financial statements and the notes on pages 31 to 55, were approved and authorised for issue by the board on 30th March 2021 and were signed on its behalf by:

Director **Director**

The accounting policies on pagess 18 to 30 and the notes on pages 31 to 55 form an integral part of the financial statements.

Statement of Changes in Equity

Figures in Ghana Cedi	Share capital	Statutory reserve	Regulatory credit risk reserve	Merger reserves	Total reserves	Income surplus	Total equity
Balance at 1 January 2019	**29,942,217**	**21,970,435**	**28,978,631**	**(8,969,016)**	**41,980,050**	**67,423,276**	**139,345,543**
Total comprehensive loss for the year	-	-	-	-	-	(13,865,739)	(13,865,739)
Transfer from regulatory credit risk reserves	-	-	(18,998,467)	-	(18,998,467)	18,998,467	-
Total movement for the year	**-**	**-**	**(18,998,467)**	**-**	**(18,998,467)**	**5,132,728**	**(13,865,739)**
Balance at 1 January 2020	**29,942,217**	**21,970,435**	**9,980,164**	**(8,969,016)**	**22,981,583**	**72,556,004**	**125,479,804**
Total comprehensive income for the year	-	-	-	-	-	17,842,427	17,842,427
Transfer to statutory reserves	-	4,460,607	-	-	4,460,607	(4,460,607)	-
Transfer from regulatory credit risk reserves	-	-	(2,860,605)	-	(2,860,605)	2,860,605	-
Total movement for the year	**-**	**4,460,607**	**(2,860,605)**	**-**	**1,600,002**	**16,242,425**	**17,842,427**
Balance at 31 December 2020	**29,942,217**	**26,431,042**	**7,119,559**	**(8,969,016)**	**24,581,585**	**88,798,429**	**143,322,231**
Note	18	19	20	21			

The accounting policies on pages 18 to 30 and the notes on pages 31 to 55 form an integral part of the financial statements.

Statement of Cash Flows

Figures in Ghana Cedi	Note(s)	31 December 2020	31 December 2019
Cash flows from operating activities			
Cash used in operating activities	23	27,331,760	(168,906,969)
Tax paid		(3,371,635)	(551,519)
Net cash generated from/(used in) operating activities		**23,960,125**	**(169,458,488)**
Cash flows from investing activities			
Purchase of property, equipment and intangibles	10&11	(2,092,978)	(6,643,665)
Proceeds from sale of property and equipment	10	61,170	288,795
Net cash used in investing activities		**(2,031,808)**	**(6,354,870)**
Cash flows from financing activities			
Proceeds from borrowings		20,000,000	84,000,000
Repayment of borrowings		(12,996,956)	(21,498,475)
Proceeds from loans from shareholders		(32,752,376)	96,224,471
Proceeds from issue of bonds		41,248,000	25,667,500
Repayments of bonds		(25,000,000)	(23,753,420)
Lease payment (ROU)		(1,746,458)	(2,697,071)
Net cash (used in)/generated by financing activities		**(11,247,790)**	**157,943,005**
Net increase/(decrease) in cash and cash equivalents		**10,680,527**	**(17,870,353)**
Cash and cash equivalents at the beginning of the year		11,297,868	29,539,114
Effect of exchange rate movement on cash balances		(13,023)	(370,893)
Total cash and cash equivalents at the end of the year	7	**21,965,372**	**11,297,868**

The accounting policies on pages 18 to 30 and the notes on pages 31 to 55 form an integral part of the financial statements.

Significant Accounting Policies

General information

BAYPORT SAVINGS AND LOANS is a public limited company incorporated and domiciled in Ghana. The address of its registered office and principal place of business are disclosed in the report of the Directors on page 4. The principal activities of the Company continue to be the provision of micro finance and retail financial services.

1. Statement of compliance and presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards and, the requirements of the Companies Act 2019 (Act 992) and Banks and Specialised Deposittaking Institutions ACT, 2016 (Act 930) and the principal accounting policies applied in the preparation of these financial statements are set out below. They are presented in Ghana Cedis, which is the functional currency, rounded to the nearest Cedi.

The statement of financial position is presented in order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the statement of financial position and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where specifically stated otherwise.

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

1.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These form the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting policies have been identified where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Significant Accounting Policies (continued)

1.2.1 Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Assets useful lives and residual values

Property and equipment are depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each financial yearend and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account.

(ii) Leases under IFRS 16

IFRS 16 was adopted during the year ended 31 December 2019. Critical judgements made on application of IFRS 16 include identification of lease contracts, reasonableness in determining whether an extension or termination option will be exercised classification of lease agreements, determination of whether variable payments are in substance fixed, establishing whether there are multiple leases in an arrangement, determination of stand-alone selling prices of lease and non-lease components.

1.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in the future against which they can be utilised. Future taxable profits are estimated based on budgets which include estimates and assumptions regarding economic growth, interest, inflation, tax rates and competitive forces.

(ii) Impairment of financial assets

The Company measures expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date.

The expected credit losses for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses its judgement in making these assumptions and selecting the input of the impairment calculation, based on the Company past history and existing market conditions.

Loans and advances are assessed for each active account. Probability of default constitute a key input in measuring ECL. Probability of default is an estimate of likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Refer to note 1.5 for the accounting policies relating to the impairment of financial assets and to note 26.1 for credit risk management.

1.3 Property and equipment

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

An item of property and equipment recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets, where approriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Significant Accounting Policies (continued)

1.3 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 to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. 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	Average useful life
Furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvements	Over expected lease term

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

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period 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 and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of item, is included in profits and loss when the item, is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost, less any accumulated amortisation and any impairment losses.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are carried at cost less any accumulated amortisation and any impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the tangible assets may be impaired. The estimated useful life and amortisation method for an intangible assets with a finite life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis:

Item	Average useful life
Computer software	3 - 10 years

Significant Accounting Policies (continued)

1.4 Intangible assets (continued)

Intangible asets with indefinite useful lives are tested for impairment annually either individually or at cash-generated unit level. Such intangibles are not amortised.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

1.5 Financial instruments

Classification

The Company classifies financial assets and financial liabilities into the following categories:
- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

The Company does not maintain financial instruments at fair value through other comprehensive income (FVTOCI) and through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, matching the duration of financial assets to the liabilities that are funding those assets or realising cash flows through the sales of the assets;
- how the performance of the portfolio is evaluated and reported to Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:
- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customers (if any);
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of time value of money (for example, periodical reset of interest rates).

Financial assets which have been classified as measured at amortised cost include cash and cash equivalents, trade and other receivables and loans and advances.

If the business model/SPPI test are not met, the financial asset would be classified as fair value through profit or loss.

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Initial recognition and measurement

The Company initially recognises financial assets and liabilities on the date the Company becomes a party to the contractual provisions of the instruments. This is on the date that these financial instruments are originated.

Financial instruments are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition, except if fair value through profit and loss.

The Company generally does not reclassify financial instruments between different categories subsequent to initial recognition. Financial assets are reclassified only if the Company changes its business model for managing financial assets. In accordance with IFRS 9:

- Financial liabilities can never be reclassified; and
- Financial assets can only be reclassified if there is a change in business model.

Subsequent measurement

Amortised cost

Financial assets which are classified as measured at amortised cost, are measured using the effective interest method, less any expected credit losses which are recognised in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired assets, a credit-adjusted effective interest rate is calculated using estimated cash flows including expected credit losses. The calculation of effective interest rate includes transaction costs and fees 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 assets or financial liability.

Origination fees are regarded as integral part of the effective interest rate and are accounted for as interest and other similar income

Expected credit losses are calculated through the use of an appropriate impairment methodology.

Derecognition

Financial assets are derecognised when the Company realises the rights to the benefits specified in the contract, the rights expire, the asset is substantially modified or the Company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable (including any new asset obtained) are included in statement of changes in equity.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in statement of changes in equity.

Impairment of financial assets

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue costs and effort. The Company has utilised the 30-days past due rebuttable presumption to identify a significant increase in credit risk since initial recognition.

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Credit risk

The Company monitors the borrowers credit risk using both qualitative and quantitative information such as number of days in arrears and recency. Days in arrears represent the number of days that the contractual installment has past due and recency is calculated by referencing the most recent payment history of loans. The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. The policy of management is to use recency to assess the default status of a loan as opposed to days in arrears due to high levels of administration and concomitant delays associated with payroll deductions. The internal definition of default is used instead of the IFRS 9 90 days presumption.

The Company classifies loan into the 3 different stages based on recency and days in arrears as follows:

IFRS 9 Stage allocation	Recency	Recency definition
12-month-ECL - Credit risk has not increased significantly since initial recognition is low	Standard Performing	No missed instalments (IFRS 9 Stage 1)
Lifetime-EC- not credit-impaired- Credit risk has increased significantly since initial recognition and credit risk is not low	Performing Active (1-2)	Loans that are performing, on payroll, and have made payment on either one or both of their most recent 2 instalments expected. Loans in this category relate mainly to loans in technical arears which are generally still on payroll and as a consequence evidence high payment propensity. (IFRS 9 Stage 2)
	Performing Active (3-4)	Partial performing loans that have over the last four consecutive periods reviewed, missed their most recent two instalments expected but have paid either one or both of the preceding two instalments due. This is a transitional bucket with the majority of these loans likely to be indicative of separation from payroll and likely to move into NPL but more time and analysis is required to confirm that assessment. (IFRS 9 Stage 2)
Life-time-ECL-credit-impaired - Credit risk has increased significantly since initial recognition and loans are credit impaired	Non-performing	Loans that have over the last four consecutive periods reviewed, missed all four instalments expected. (IFRS 9 Stage 3)
	Doubtful & Bad	Delinquent loans where the probability of recovery is uncertain and the separation from payroll has been confirmed, as well as credit impaired loans, which have been identified for write offs subject to board approval. (IFRS 9 Stage 3)

Refer to note 26.1 on credit risk management and measurement.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future on the estimated future cash flows of the financial asset have occurred.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties.

Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Credit risk (continued)

Credit impaired financial assets (continued)

Measurement and recognition of expected credit losses

The Company recognises loss allowances for expected credit losses ("ECL") on the following financial assets:

- Loans and advances; and
- Trade and other receivables.

Impairments are measured as 12 month expected credit losses upon origination. Where there has been a significant increase in credit risk since initial recognition of a financial asset, the loss allowance is measured as an amount equal to lifetime expected credit losses. A lifetime expected credit loss is calculated for credit impaired and defaulted loans.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12 month expected credit losses are the portion of expected credit losses that result from default events on a financial instrument, that are possible within the 12 month period after the reporting date.

Expected credit losses are a probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired at the reporting date – as the present value of all cash flow shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expect to receive);
- Financial assets that are credit impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

- Loans and advances; and
- Trade and other receivables.

Other assets

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

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

Other assets are classified at amortised cost.

Other payables

Other 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.

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Value added tax

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

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

Significant Accounting Policies (continued)

1.7 Leases

The Company has applied IFRS 16 using the modified retrospective approach from 1 January 2019.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including insubstance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant Accounting Policies (continued)

1.8 Impairment of assets other than financial assets

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

Irrespective of whether there is any indication of impairment, the Company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

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

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

1.9 Share capital and equity

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Significant Accounting Policies (continued)

1.11 Provisions and contingencies

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

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

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

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies (if any) are disclosed in note 27 of the financial statements.

1.12 Revenue

Revenue is recognised upon transfer of services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. Revenue is recognised net of any taxes collected from customers.

Revenue comprises fees for collection of owned book debts, rendering of services to customers and finance charges on loans.

Interest income

Interest is recognised, in profit or loss for all instruments measured at amortised cost, using the effective interest rate method.

This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- purchased or originated credit impaired financial assets. For those financial assets, the Company applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The credit adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit impaired financial asset. When calculating the credit adjusted effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial asset and expected credit losses.

Commission and other income

Commission and other income are recognised on an accrual basis in accordance with the substance of the relevant agreement and when services are rendered.

Significant Accounting Policies (continued)

1.13 Administration fees

Administration fees charged to customers are added to gross loans and advances to customers and recognised over the term of the loan using the effective interest rate method.

1.14 Deferred commission costs

Deferred commission costs are loan originated costs. These are recognised over the term of the loan using effective rate method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.16 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

Significant Accounting Policies (continued)

1.17 Related parties

Related parties are individuals and companies, where the individual and company have the ability, directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements.

1.18 Comparatives

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020.

2.1 New and revised Standards and Interpretations affecting amounts reported in the current year

The Company adopted IFRS 16 the amendments to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

The impact of the adoption of IFRS 16 on the Company's financial statements is described in note 31.

2.2 New and revised Standards and Interpretations that are effective and adopted in the current year

The following relevant Standards and Interpretations have been applied in these financial statements. However, they did not have any impact on the Company's financial statements but may impact the accounts for fututre transactions or arrangements.

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material

IFRS 7 Financial Instruments: Disclosure Amendments regarding prereplacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

Notes to the Annual Financial Statements (continued)

2. New Standards and Interpretations (continued)

2.3 Standards and interpretations not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual period on or after the respective dates as indicated:

IFRS 1 First-time Adoption of International Financial Reporting Standards Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter) (effective 1 January 2022)

IFRS 4 Insurance contracts - Amendments regarding the expiry date of the deferred approach (effective 1 January 2023)

IFRS 4 Insurance contracts - Amendments regarding replacement issues in the context of IBOR reform (effective 1 January 2021)

IFRS 7 Financial Instruments: Disclosures Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards (fees in the '10 per cent' test for derecognition of financial liabilities (effective 1 January 2022)

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)

IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)

IFRS 17 Insurance Contracts - Original issue (effective 1 January 2021)

IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (effective 1 January 2023)

IAS 1 Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments (effective 1 January 2023)

IAS 1 Presentation of Financial Statements: Amendments regarding the classification of liabilities (effective 1 January 2023)

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)

IAS 39 Financial Instruments: Recognition and Measurement: Amendments regarding replacement issues in the context of the IBOR reform (effective 1 January 2021)

The directors anticipate that these amendments will be applied in the Company annual financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet assessed the potential impact of the application of these amendments.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

3. Interest income

Interest income calculated using the effective interest rate (EIR)	260,676,816	232,847,220
Loan origination fees	30,786,489	26,977,315
Total interest income	**291,463,305**	**259,824,535**

4. Interest expense

Interest expense calculated using the effective interest rate:		
Interest on loan from shareholders	44,919,086	25,789,508
Interest on bank overdrafts and term loans	37,080,790	33,812,592
Interest on corporate bonds	46,955,336	45,325,201
Other interest and similar expense:		
Interest on deposits from customers	15,805,859	15,135,781
Total interest expense	**144,761,071**	**120,063,082**

5. Other income

Other non advances interest income	1,677,865	973,788
Sundry income	1,140,883	1,445,832
Profit on disposal of property and equipment	9,246	216,012
Total other income	**2,827,994**	**2,635,632**

6. Other expenses

Bank charges	877,505	966,251
Collection fees	13,593,321	10,726,455
IT expenses	14,068,087	13,368,841
License expenses	110,083	398,427
Marketing and advertising expenses	398,388	1,690,285
Motor vehicle expenses	690,631	1,251,858
Professional fees	761,946	905,962
Sales commission	20,629,203	19,483,990
Telephone expenses	605,236	528,279
Travel expenses	1,126,560	2,556,631
Other expenses	15,142,270	11,360,301
Total other expenses	**68,003,230**	**63,237,280**

Other operating expenses includes directors' fees, training cost, donations, printing and stationery, security fees and technical services.

7. Cash and cash equivalents

Cash on hand	1,401,410	785,813
Bank balances	20,563,962	14,614,464
Cash and bank balances	21,965,372	15,400,277
Bank overdraft	-	(4,102,409)
As per statement of cashflows	**21,965,372**	**11,297,868**
Current assets	21,965,372	15,400,277
Current liabilities	-	(4,102,409)
Total cash and cash equivalents	**21,965,372**	**11,297,868**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

7. Cash and cash equivalents (continued)

Bank overdraft

As at 31 December 2020,the Company had no overdraft facilities (31 December 2019: GHS 4.1 million). An average interest of 20.28% per annum was charged during the year ended 31 December 2019.

8. Loans and advances to customers

Gross advances	711,451,321	754,931,119
Allowance for impairment provision	(35,669,969)	(53,038,992)
Net advances	**675,781,352**	**701,892,127**
Impairment provision		
At 1 January	53,038,992	43,319,998
Net impairment loss on financial asset	18,133,946	33,340,001
Utilisation of allowance for impairment	(35,502,969)	(23,621,007)
At 31 December	**35,669,969**	**53,038,992**
Non-current assets	496,729,068	521,408,235
Current assets	179,052,284	180,483,892
Loans and advances	**675,781,352**	**701,892,127**
Gross Advances		
Payroll	649,573,732	708,301,922
Retail	61,877,589	46,629,197
	711,451,321	**754,931,119**
Allowance for impairment provision		
Payroll	(24,218,709)	(47,324,552)
Retail	(11,451,260)	(5,714,440)
	(35,669,969)	**(53,038,992)**

Please refer to note 26.1 for disclosures on credit risks.

Post-model adjustments

Post-model adjustments (PMAs) are short-term adjustments to the ECL balance as part of the year-end reporting process to reflect latest updates to market data, known model deficiencies and expert credit judgement.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

9. Other assets

Current assets

Sundry debtors *	61,162,574	5,022,051
Employee costs in advance	11,983	36,594
Prepayments	1,984,199	1,431,672
Withholding tax receivable	-	154,158
Impairment provision	(3,597,881)	(3,208,347)
Total other assets	**59,560,875**	**3,436,128**

* Sundry debtors include GHC 55 million receivable from Controller and Accountant General Department for two months loan repayment.

Impairment provision		
At 1 January	3,208,347	5,208,347
Impairment provision/(write back) recognised in profit or loss	389,534	(2,000,000)
At 31 December	**3,597,881**	**3,208,347**

The Directors consider that the carrying amount of other assets approximate their fair value.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

10. Property and equipment

Non-current assets

Cost	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 01 January 2019	4,467,261	6,334,909	7,875,872	7,207,923	9,373,708	35,259,673
Additions	259,050	778,982	5,097	1,983,027	1,482,143	4,508,299
Disposal	-	(1,718,681)	-	(217,952)	-	(1,936,633)
At 01 January 2020	4,726,311	5,395,210	7,880,969	8,972,998	10,855,851	37,831,339
Additions	23,092	3,900	185,411	1,178,815	458,246	1,849,464
Disposal	-	(162,720)	-	-	-	(162,720)
At 31 December 2020	**4,749,403**	**5,236,390**	**8,066,380**	**10,151,813**	**11,314,097**	**39,518,083**

Accumulated depreciation	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 01 January 2019	3,071,243	5,065,713	5,053,454	5,258,711	5,459,986	23,909,107
Charge for the year	631,007	797,572	1,258,565	1,446,561	1,493,572	5,627,277
Disposal	-	(1,645,898)	-	(217,952)	-	(1,863,850)
At 01 January 2020	3,702,250	4,217,387	6,312,019	6,487,320	6,953,558	27,672,534
Charge for the year	441,076	574,296	853,670	1,475,910	1,469,297	4,814,249
Disposal	-	(110,797)	-	-	-	(110,797)
At 31 December 2020	**4,143,326**	**4,680,886**	**7,165,689**	**7,963,230**	**8,422,855**	**32,375,986**

Carrying value	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 31 December 2020	**606,077**	**555,504**	**900,691**	**2,188,583**	**2,891,242**	**7,142,097**
At 31 December 2019	1,024,061	1,177,823	1,568,950	2,485,678	3,902,293	10,158,805

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

11. Intangible assets

Non current assets

Cost	Computer Software	Asset under development	Internally generated	Total
At 01 January 2019	11,964,656	7,821,604	-	19,786,260
Additions	5,566,052	(2,064,673)	(1,366,013)	2,135,366
Transfer	-	(5,359,883)	5,359,883	-
At 01 January 2020	17,530,708	397,048	3,993,870	21,921,626
Additions	204,625	38,889	-	243,514
At 31 December 2020	**17,735,333**	**435,937**	**3,993,870**	**22,165,140**
Accumulated Amortisation				
At 01 January 2019	6,976,608	-	-	6,976,608
Charge for the year	3,375,551	-	-	3,375,551
At 01 January 2020	10,352,159	-	-	10,352,159
Charge for the year	3,369,095	-	463,396	3,832,491
At 31 December 2020	**13,721,254**	**-**	**463,396**	**14,184,650**
Carrying value				
At 31 December 2020	**4,014,079**	**435,937**	**3,530,474**	**7,980,490**
At 31 December 2019	7,178,549	397,048	3,993,870	11,569,467

Asset under development represents software still under development. This will be amortised when the asset is available for use.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

12. Right-of use assets

The Company adopted IFRS 16 as from January 1, 2019 which changes the Company's Financial Statements. Under IFRS 16 the majority of these leases became on-balance sheet liabilities with underlying right-of-use assets. The Company applied the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16, as of January 1, 2019, to the retained earnings and not restate prior years. When doing so, the Company also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application.

Since the Company recognised the right-of-use assets at the amount equal to the lease liabilities, there was no impact to the retained earnings.

The Company leases land and buildings. Information about leases for which the Company is a lessee is presented below.

Non-current assets

Cost	Rental space	Total
At 01 January 2019	-	-
Additions	2,697,071	2,697,071
Transfer	6,423,342	6,423,342
Termination of lease	-	-
At 01 January 2020	9,120,413	9,120,413
Additions	1,746,458	1,746,458
Transfer to other assets **	(528,000)	(528,000)
At 31 December 2020	**10,338,871**	**10,338,871**

Accumulated depreciation		
At 1 January 2019	-	-
Charge for the year	4,575,788	4,575,788
Termination of lease	-	-
At 31 December 2019	**4,575,788**	**4,575,788**
Charge for the year	3,009,544	3,009,544
Transfer to other assets **	(92,400)	(92,400)
At 31 December 2020	**7,492,932**	**7,492,932**

Carrying value		
At 31 December 2020	**2,845,939**	**2,845,939**
At 31 December 2019	4,544,625	4,544,625

** Transfer to other assets refers to rent paid for the Berekum Office which the company has exited from the property. The net amount of GHC 435,600 is receivable from the landlord and has been fully provided for.

12.1 Amount recognised in profit or loss

Depreciation of right of use asset	3,009,544	4,575,788

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

13. Income taxes

13.1 Income tax recognised in profit or loss

Current tax/ National Stabilization Levy		
In respect of prior year	535,647	-
In respect of current year	1,320,526	-
Deferred tax		
In respect of the current year	6,712,081	(4,421,006)
Total deferred tax	6,712,081	(4,421,006)
Total income tax expense/(credit) recognised in the current year	**8,568,254**	**(4,421,006)**

Reconciliation of tax expense		
Profit before taxation	26,410,681	(18,286,745)
Tax at the statutory rate 25% (2019: 25%)	6,602,670	(4,571,686)
Tax effect of adjustments on taxable income		
Tax effect of expenses that are not deductible in determining taxable profit	109,411	150,680
Prior year adjustment	535,647	-
National Stabilization Levy rate of 5 % (effective 15 July 2013)	1,320,526	-
	1,965,584	**(4,421,006)**
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Income tax expense/(credit) recognised in profit or loss	**8,568,254**	**(4,421,006)**
Effective tax rate	32 %	24 %

13.2 Current tax assets

Current tax assets	**13,791,460**	**12,275,998**
Reconciliation of current tax assets		
At 1 January	11,876,736	11,527,911
Prior year adjustment	(535,647)	-
Tax paid	2,072,453	348,825
At 31 December	**13,413,542**	**11,876,736**
Reconciliation of National Stabilization Levy		
At 1 January	399,262	196,568
Tax for the year recognized in profit and loss (note 13.1)	(1,320,526)	-
Paid during the year	1,299,182	202,694
At 31 December	**377,918**	**399,262**
Total at 31 December	**13,791,460**	**12,275,998**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

13. Income taxes (continued)

13.3 Deferred tax balances

The following is the analysis of deferred tax assets presented in the statement of financial position.

Deferred tax breakdown		
Accelerated capital allowances for tax purposes	821,918	728,282
Provision for impairment of loans and advances	8,917,533	13,259,748
Tax losses *	1,618,211	2,582,412
Provision for impairment of sundry debtors	899,470	802,087
Foreign exchange losses	-	1,596,684
Total deferred tax assets	**12,257,132**	**18,969,213**

Reconciliation of deferred tax assets		
At 1 January	18,969,213	14,548,207
Originating temporary differences on tangible fixed assets	93,636	(75,094)
Originating temporary differences on provision for impairment on advances	(4,341,236)	2,429,748
Tax losses available for set off against future taxable income	(965,180)	969,668
Originating temporary differences on provision for impairment on sundry debtors	97,383	(500,000)
Unrealised exchange losses	(1,596,684)	1,596,684
At 31 December	**12,257,132**	**18,969,213**

* Unused tax losses:

Financial year	**Losses carried forward**	**Expiry dates of losses**
31 December 2020	-	31 December 2023
31 December 2019	3,878,674	31 December 2022
31 December 2018	2,590,253	31 December 2021
	6,468,927	

14. Deposits from customers

By maturity		
Within one month	29,084,780	21,235,529
One to three months	28,159,275	20,363,426
Three months to one year	47,207,060	28,923,338
More than one year	19,145	39,332
Total deposits from customers	**104,470,260**	**70,561,625**

By nature		
Retail funding		
Saving accounts	6,510,970	9,097,984
Fixed deposit accounts	97,959,290	61,463,641
Total deposits from customers	**104,470,260**	**70,561,625**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi		31 December 2020	31 December 2019

15. Other liabilities

Current liabilities

	31 December 2020	31 December 2019
Trade payables	2,729,112	4,096,191
Accrued expense	12,296,593	11,281,831
Amount due to related party (refert to note 23.2)	552,307	17,688,465
Interest payable	16,080,886	15,293,525
Withholding tax	664,779	-
Total other liabilities	**32,323,677**	**48,360,012**

16. Borrowings

		31 December 2020	31 December 2019
Held at amortised cost			
Corporate bonds	(i)	222,790,294	206,542,294
Term loans	(ii)	158,603,575	151,600,531
Deferred transaction costs		(2,565,986)	(3,533,076)
Total borrowings		**378,827,883**	**354,609,749**

(i) Terms of the bonds are 3 to 5 years and interest rates range from 22% to 28.00% per annum (2019: 19.50% to 28.00% per annum). Bonds raised for 2019 amounted to GHC 25.7m.

(ii) Term loans include funding received by the Company from local banks and financial institutions. Terms of the loans vary from 3 years to 5 years and variable interest rates vary from 20.50% to 26.63% per annum (2019: 20.50% to 26.63% per annum).

	31 December 2020	31 December 2019
Current liabilities		
At amortised cost	163,642,289	36,681,781
Non-current liabilities		
At amortised cost	215,185,594	317,927,968
Total borrowings	**378,827,883**	**354,609,749**

17. Loans from shareholders

Non-current liabilities

		31 December 2020	31 December 2019
Bayport International Headquarter Company (Pty) Ltd	(i)	142,380,666	175,133,041

(i) The loans from Bayport International Headquarter Company (Pty) Ltd are denominated in Cedi. The loans carry interest from 24.13% to 26%. The loans are unsecured, and have maturity dates ranging from August 2022 to May 2028. The loans from Bayport International Headquarter Company (Pty) Ltd USD loan was settled in 2020 and no outstanding USD balance as at year end.

18. Share capital

Authorised
20,000,000,000 Ordinary shares

Issued	Number of shares	Share capital	Total
At 01 January 2019	14,052,239,848	29,942,217	29,942,217
At 01 January 2020	14,052,239,848	29,942,217	29,942,217
At 31 December 2020	**14,052,239,848**	**29,942,217**	**29,942,217**

There is no unpaid liability on any share and there are no calls or instalments in arrears.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

19. Statutory reserves

The statutory reserve fund represents the cumulative amount set aside from annual profit after tax as required by Section 29 of the Banking Act 2001 (Act 673) as amended by Act 738. The proportion of net profit transferred to this reserve ranges from 15% to 50% of net profit after tax depending on the ratio of the existing statutory reserve fund to paid up capital.

At 1 January	21,970,435	21,970,435
Transfers from income surplus	4,460,607	-
At 31 December	**26,431,042**	**21,970,435**

20. Regulatory credit risk reserves

The account is used to record the excess of impairment as per the Bank of Ghana rules over the impairment based on International Financial Reporting Standards. The excess is transferred from the income surplus to the regulatory credit risk reserve. As at 31 December 2020, the provision recorded was lower than per the Bank of Ghana rules, which resulted in a transfer to income surplus account.

At 1 January	9,980,164	28,978,631
Transfer to income surplus account	(2,860,605)	(18,998,467)
At 31 December	**7,119,559**	**9,980,164**

21. Merger reserves

Merger with CFC Savings and Loans Limited

On 1 October 2017, CFC was merged with the Company by way of a share swap. In exchange of their shareholding, the shareholders of CFC received shares in the Company at a ratio of 1 CFC share for 3,004,633.714 company share. The total number of shares issued were 2,749,239,848 and were valued at GHC 19,942,217. There was no cash consideration involved.

On the date of merger, the assets and liabilities of CFC were taken over by the Company. CFC's principal activities were the provision of financial services, including loans and advances to small and medium enterprises, to accept deposits and other repayable funds from the public, to undertake micro-funding and to subscribe to short term securities.

Merger reserves arising on merger

Value of merger	19,942,217	19,942,217
Net assets aquired	(10,973,201)	(10,973,201)
	8,969,016	**8,969,016**

22. Profit/(loss) before taxation

Profit/(loss) before taxation for the year is stated after accounting for the following:

Profit on sale of property and equipment	(9,247)	(216,012)
Depreciation and amortisation of property and equipment and intangibles	11,656,284	13,578,617
Employee costs (includes a one-off redundancy cost of GHC 12 millions in 2019)	27,715,299	50,421,031
Foreign exchange loss	1,569,285	6,386,733

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

23. Cash generated from/(used in) operations

Profit/(loss) before taxation	26,410,681	(18,286,745)
Adjustments for:		
Depreciation and amortisation	11,656,284	13,578,616
Profit on sale of property and equipment	(9,247)	(216,012)
Foreign exchange loss	13,023	6,444,674
Increase in provision for credit impairment	18,523,482	31,340,001
Changes in working capital:		
Increase/(decrease) in gross advances	7,976,829	(158,728,557)
(Decrease)/increase in other assets	(55,111,589)	4,684,721
Decrease in other liabilities	(16,036,334)	(4,864,281)
Increase/(decrease) in deposits from customers	33,908,631	(42,859,386)
Cash generated from/(used in) operations	**27,331,760**	**(168,906,969)**

24. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Financing cash flows	Currency movements	Other non-cash movements	Closing balance
Borrowings	354,609,749	23,251,044	-	967,090	378,827,883
Loans from shareholder	175,133,041	(33,774,405)	1,022,030	-	142,380,666
Total liabilities from financing activities	**529,742,790**	**(10,523,361)**	**1,022,030**	**967,090**	**521,208,549**

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	Financing cash flows	Currency movements	Other non-cash movements	Closing balance
Borrowings	293,581,143	64,415,605	-	(3,386,999)	354,609,749
Loans from shareholder	73,931,002	96,224,471	4,977,568	-	175,133,041
Total liabilities from financing activities	**367,512,145**	**160,640,076**	**4,977,568**	**(3,386,999)**	**529,742,790**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

25. Related parties

Relationships

Bayport Management Ltd	Holding Company
Bayport International Headquarter Company (Pty) Ltd	Minority shareholder
Actvest (Proprietary) Limited	Fellow subsidiary

Details of transactions between the Company and other related parties are disclosed below.

25.1 Trading transactions

	31 December 2020	31 December 2019
Interest expense		
Bayport International Headquarter Company (Pty) Ltd	44,919,086	25,789,508
Professional fees		
Actvest (Proprietary) Limited	4,767,988	4,064,537

25.2 Amount payable to related parties

The following balances were outstanding at the end of the reporting period:

	31 December 2020	31 December 2019
Other liabilities		
Bayport Management Ltd	70,675	15,543,826
Actvest (Proprietary) Limited	481,632	2,144,638
Total other liabilities	**552,307**	**17,688,464**

The other liabilities are unsecured, have no fixed terms of repayment and are interest free.

	31 December 2020	31 December 2019
Loans from shareholder		
Bayport International Headquarter Company (Pty) Ltd	142,380,666	175,133,041

25.3 Compensation to directors and other key management

	31 December 2020	31 December 2019
Short-term employee benefits	3,028,457	2,816,572
Post-employment benefits	170,000	170,000
	3,198,457	**2,986,572**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

26. Risk management

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of the audit, risk and compliance committee (ARC). The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The audit, risk and compliance committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the Company's management of risk including credit and compliance.

26.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the Company. The primary credit risks that the Company is exposed to arise from retail loans. It is not the Company's strategy to avoid credit risk, but rather to manage credit risk within the Company's risk appetite and to earn an appropriate risk adjusted return.

Credit risk management and measurement

The Company is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customer's risk profile, employment status and stability. Terms of the loan provided range from 1 to 96 months. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are developed internally.

Collections of instalments are made through payroll deductions or debit order collections. The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') segmented using contractual delinquency states (aging, recency and reason for default) as well as remaining term. The segmentation ensures homogenous risk buckets. The LGD is calculated on an explicit basis per account, taking into consideration the settlement balance, discount rates and discount periods. In respect of other portfolio, the company structured the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and geographical and industry segment.

The Company utilised the 30days past due definition to determine a significant increase in credit risk as per paragraph 5.5.11 of IFRS 9.

Since collections are mainly through payroll deductions, the Company has defined credit impaired financial assets as assets which have missed 4 or more consecutive instalments or when there is qualitative information of the borrower being in significant financial difficulty. We have therefore rebutted the 90days presumption based on historical quantitative analysis of the PDs and alignment to operational collection processes.

Financial assets subject to risk

The maximum exposure to credit risk of financial assets at the financial year end is analysed as follows:

2020	Loans and advances	Other assets	Total
Neither past due nor credit impaired	615,056,656	57,576,676	672,633,332
Past due but not credit impaired	90,308,884	-	90,308,884
Credit impaired	19,474,866	3,597,881	23,072,747
Impairment allowance	(35,669,969)	(3,597,881)	(39,267,850)
Total financial assets	**689,170,437**	**57,576,676**	**746,747,113**

2019	Loans and advances	Other assets	Total
Neither past due nor credit impaired	641,594,667	1,850,298	643,444,965
Past due but not credit impaired	88,050,816	-	88,050,816
Credit impaired	36,471,361	3,208,347	39,679,708
Impairment allowance	(53,038,992)	(3,208,347)	(56,247,339)
Total financial assets	**713,077,852**	**1,850,298**	**714,928,150**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

26. Risk management (continued)

26.1 Credit risk (continued)

Valuation of collateral

Advances are secured and collateral held by the Company is immaterial.

Impairment provision reconciliation

	12 month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets	Total
At 01 January 2019	9,826,315	22,762,471	15,939,559	48,528,345
Originations	5,083,719	5,006,247	4,623,482	14,713,448
Existing book movements	2,958,200	24,349,644	32,638,706	59,946,550
Derecognition settlements in the ordinary course of business	(8,587,058)	(20,450,551)	(14,282,388)	(43,319,997)
Write-offs	-	-	(23,621,007)	(23,621,007)
At 01 January 2020	9,281,176	31,667,811	15,298,352	56,247,339
Originations	14,054,644	381,980	300,555	14,737,179
Existing book movements	(7,070,478)	933,854	22,432,948	16,296,324
Derecognition settlements in the ordinary course of business	(2,510,901)	(4,604,630)	(5,394,492)	(12,510,023)
Write-offs	-	-	(35,502,969)	(35,502,969)
At 31 December 2020	**13,754,441**	**28,379,015**	**(2,865,606)**	**39,267,850**

26.2 Categories of financial instruments

	31 December 2020	31 December 2019
Financial assets		
At amortised cost		
Cash and cash equivalents	21,965,372	15,400,277
Loans and advances to customers *	689,170,436	713,007,852
Other assets	57,576,676	1,850,298
Total financial assets	**768,712,484**	**730,258,427**
Financial liabilities		
At amortised cost		
Bank overdrafts	-	4,102,409
Deposits from customers	104,470,260	70,561,625
Other liabilities	31,194,139	47,924,729
Borrowings **	381,393,869	358,142,825
Loans from shareholders	142,380,666	175,133,041
Total financial liabilities	**659,438,934**	**655,864,629**

* Loans and advances to customers excludes deferred loan origination costs amounting to GHC 29,849,438 (2019:GHC 32,735,158) and deferred revenue amounting to GHC 43,238,522 (2019:GHC 43,920,883) as these are not considered to be financial instruments.

** Borrowings excludes deferred transaction costs amounting to GHC 2,565,986 (2019:GHC 3,533,076) which are not considered to be financial instruments.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

26. Risk management (continued)

26.3 Financial risk management

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

26.4 Liquidity risk

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

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

31 December 2020

Financial liabilities	**0 - 3 months**	**4 - 12 months**	**1 - 5 years**	**Total**
Deposits from customers	59,390,707	55,704,331	20,481	115,115,519
Other liabilities	19,516,005	-	-	19,516,005
Borrowings	23,575,578	217,481,365	264,759,333	505,816,276
Loans from shareholders	-	-	117,380,666	117,380,666
Cash flows from financial liabilities	**102,482,290**	**273,185,696**	**382,160,480**	**757,828,466**

31 December 2019

Financial liabilities	**0 - 3 months**	**4 - 12 months**	**1 - 5 years**	**Total**
Bank overdraft	4,102,409	-	-	4,102,409
Deposits from customers	70,561,625	-	-	70,561,625
Other liabilities	47,924,729	-	-	47,924,729
Borrowings	24,632,814	96,300,557	421,054,737	541,988,108
Loans from shareholders	-	-	259,529,174	259,529,174
Cash flows from financial liabilities	**147,221,577**	**96,300,557**	**680,583,911**	**924,106,045**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

26. Risk management (continued)

26.5 Interest rate risk

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

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

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

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

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

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

The table below sets out the impact on current profit after taxation and equity of an incremental 10% parallel fall or rise on all yield curves at the beginning of the financial years beginning on 01 January 2020 and 01 January 2019 respectively.

31 December 2020	Base	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after tax	17,842,427	14,188,973	21,495,881
Equity	143,322,231	139,668,777	146,975,685

31 December 2019	Base	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Loss after tax	(13,865,739)	(20,699,511)	(7,031,967)
Equity	125,479,804	118,646,032	132,313,576

Assuming no management actions an increase in interest rates would decrease the Company's profit after tax for the year by GHC 3,653,454 (2019: increase loss after tax by GHC 6,833,772) and decrease equity by GHC 3,653,454 (2019: GHC 6,833,772), while a fall would increase profit after tax and increase equity by the same amounts.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

26. Risk management (continued)

26.6 Capital risk management

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

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

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

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

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

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

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

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

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

Paid-up capital	29,942,217	29,942,217
Disclosed reserves	106,260,300	85,557,426
Tier 1 capital	**136,202,517**	**115,499,643**
Prepayments and intangible assets	(18,621,597)	(21,785,371)
Net Tier 1 Capital	**117,580,920**	**93,714,272**
Subordinated debt	25,000,000	12,500,000
Net Tier 2 Capital	**142,580,920**	**106,214,272**
Total assets	801,324,920	781,625,560
Less:		
Cash in hand (GHC)	(1,484,045)	(799,305)
Goodwill/intangibles/and loss	(25,741,156)	-
80% of claims on other banks	(16,385,224)	(11,680,779)
Adjusted total assets	757,714,495	769,145,476
100% of 3 years average annual gross income	143,241,388	125,321,425
Adjusted asset base	**900,955,883**	**894,466,901**
Capital adequacy ratio	15.83 %	11.87 %

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

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

26. Risk management (continued)

26.6 Capital risk management (continued)

The gearing ratio at 31 December 2020 and 31 December 2019 respectively were as follows:

	31 December 2020	31 December 2019
Total borrowings		
Bank overdraft	-	4,102,409
Borrowings	381,393,869	358,142,825
Loans from shareholders	142,380,666	175,133,041
	523,774,535	**537,378,275**
Less: Cash and cash equivalents	(21,965,372)	(15,400,277)
Net debt	545,739,907	521,977,998
Total equity	143,322,231	125,479,804
Total capital	**689,062,138**	**647,457,802**
Gearing ratio	79 %	81 %

26.7 Foreign exchange risk

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

The Company's currency position is as follows:

31 December 2020	GHC	USD	ZAR	Total
Assets				
Cash and bank balances	10,696,023	11,269,349	-	21,965,372
Loans and advances to customers	689,170,436	-	-	689,170,436
Other assets	57,576,676	-	-	57,576,676
Total financial assets	**757,443,135**	**11,269,349**	**-**	**768,712,484**
Liabilities				
Deposits from customers	104,470,260	-	-	104,470,260
Other liabilities	30,641,832	136,253	416,055	31,194,140
Borrowings	381,393,869	-	-	381,393,869
Loans from shareholder	142,380,666	-	-	142,380,666
Total financial liabilities	**658,886,627**	**136,253**	**416,055**	**659,438,935**
Net financial position	**98,556,508**	**11,133,096**	**(416,055)**	**109,273,549**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

26. Risk management (continued)

26.7 Foreign exchange risk (continued)

31 December 2019	GHC	USD	ZAR	Total
Assets				
Cash and bank balances	14,339,964	1,060,313	-	15,400,277
Loans and advances to customers	713,077,852	-	-	713,077,852
Other assets	1,850,298	-	-	1,850,298
Total financial assets	**729,268,114**	**1,060,313**	**-**	**730,328,427**
Liabilities				
Bank overdraft	4,101,143	1,266	-	4,102,409
Deposit from customers	70,561,625	-	-	70,561,625
Other liabilities	30,236,266	16,691,662	996,801	47,924,729
Borrowings	358,142,825	-	-	358,142,825
Loans from shareholder	144,873,968	30,259,073	-	175,133,041
Total financial liabilities	**607,915,827**	**46,952,001**	**996,801**	**655,864,629**
Net financial position	**121,352,287**	**(45,891,688)**	**(996,801)**	**74,463,798**

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

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

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

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2020	31 December 2019

26. Risk management (continued)

26.7 Foreign exchange risk (continued)

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

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

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

The table below sets out the impact on current earnings of and incremental 10% parallel fall or rise in all foreign currencies at the beginning of the financial years from 01 January 2020 and 01 January 2019 respectively.

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

31 December 2020	Base	Scenario 1 Effect after 10% appreciation	Scenario 2 Effect after 10% depreciation
Profit after tax	17,842,427	17,038,649	18,646,205
Equity	143,322,231	142,518,453	144,126,009

31 December 2019	Base	Scenario 1 Effect after 10% appreciation	Scenario 2 Effect after 10% depreciation
Loss after tax	(13,865,739)	(10,349,102)	(17,382,376)
Equity	125,479,804	128,996,441	121,963,167

Assuming no management actions an appreciation in the Cedi would decrease profit after tax for the year by GHC 803,778 (2019: decrease loss after tax GHC 3,516,637) and equity by GHC 803,778 (2019: GHC 3,516,637), while a depreciation would decrease profit after tax and decrease equity by the same amounts.

The Company reviews its foreign currency exposure, including commitments on an ongoing basis.

The following are the closing rates used to retranslate foreign currency balances which are denominated in US Dollars ("USD"), South African Rands ("ZAR") and Zambia Kwacha ("ZMW"):

USD/GHC	5.8669	5.5337
ZAR/GHC	0.3993	0.3953
ZMW/GHC	0.2770	0.3923

27. Contingencies

There are no contingent liabilities at the end of the reporting period (31 December 2019: none).

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

28. Fair value information

The directors consider that there is no material difference between the fair value and the carrying value of the Company's financial assets and liabilities where fair value details have not been presented.

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The directors consider that the carrying amount of financial assets and financial liabilities recognised in the financial instruments, where fair value has not be disclosed, to approximate their fair values.

	31 December 2020		31 December 2019	
	Carrying amount GHC	Fair value GHC	Carrying amount GHC	Fair value GHC
Financial assets				
Loans and advances to customers	689,170,436	747,163,884	713,007,852	685,719,096
Total financial assets	**689,170,436**	**747,163,884**	**713,007,852**	**685,719,096**
Financial liabilities				
Borrowings	381,393,869	396,016,252	358,142,825	379,554,567
Loans from shareholders	142,380,666	125,392,612	175,133,041	107,371,640
Total financial liabilities	**523,774,535**	**521,408,864**	**533,275,866**	**486,926,207**

Fair value hierarchy as at 31 December 2020

	Level 1 GHC	Level 2 GHC	Level 3 GHC	Total GHC
Financial assets				
Loans and advances to customers	-	342,577,808	404,586,076	747,163,884
Total financial assets	**-**	**342,577,808**	**404,586,076**	**747,163,884**
Financial liabilities				
Borrowings	-	210,459,373	185,556,879	396,016,252
Loans from shareholders	-	25,587,452	99,805,160	125,392,612
Total financial liabilities	**-**	**236,046,825**	**285,362,039**	**521,408,864**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

28. Fair value information (continued)

Fair value hierarchy as at 31 December 2019

	Level 1 GHC	Level 2 GHC	Level 3 GHC	Total GHC
Financial assets				
Loans and advances to customers	-	301,874,628	383,844,468	685,719,096
Total financial assets	**-**	**301,874,628**	**383,844,468**	**685,719,096**
Financial liabilities				
Borrowings	-	99,045,134	280,509,433	379,554,567
Loans from shareholders	-	92,697,392	14,674,248	107,371,640
Total financial liabilities	**-**	**191,742,526**	**295,183,681**	**486,926,207**

Loans and advances to customers

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. Credit risk for large corporate and a subset of the small business lending, when appropriate, is derived from market observable data, such as credit default swaps or comparable traded debt. Where such information is not available, the Bank uses historical experience and other information used in its collective impairment models (per paragraph 97 of IFRS 13).

Fair values of consumer lending and mortgage portfolios are calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Company then calculates and extrapolates the fair value to the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. The credit risk is applied as a top-side adjustment based on the collective impairment model incorporating probability of defaults and loss given defaults.

Issued debt (Borrowings and loans from shareholders)

The fair value of issued debt is estimated by a discounted cash flow model incorporating the Company's own credit risk. The Company estimates and builds its own credit spread from market-observable data such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debt of itself.

29. Segment reporting

The board of directors of Bayport Savings and Loans Plc is provided with information on a single segment basis for the purposes of assessing performance and allocating resources. The board reviews revenue, underlying operating profit, operating profit, assets and liabilities at a consolidated level. In light of this, the Company has a single segment for financial reporting purposes and therefore no further detailed segmental information is provided in this note.

The Company has a large and diverse customer base and there is no significant reliance on any single customer.

30. Basic/diluted earnings per share (pesewas per share)

Basic earnings per share		
From continuing operations	0.1270	(0.0987)

The earnings and number of shares used in the calculation of basic earnings per share are as follows:

Profit for the year attributable to owners of the Company	17,842,427	(13,865,739)
Earnings used in the calculation of basic earnings per share	**17,842,427**	**(13,865,739)**
Number of shares for the purpose of basic earnings per share	**14,052,239,848**	**14,052,239,848**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

31. Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company has applied IFRS 16 with a date of initial application on 1 January 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

31.1 Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1.7.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

31.2 As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases. For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

31.2.1 Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other leases. However, there was no lease liability since all rentals have been paid at the time of entering the rent agreement.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

31.2.2 Leases previouly classified as finance lease

The Company did not have any finance lease as at 1 January 2019.

31.2.3 Impact on financial statements

Impact on financial statements are disclosed in note 12.

32. Events after the reporting period

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2020.