PRESS RELEASE

PR. No 091/2022

IZWE SAVINGS AND LOANS PLC (IZWE)-

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

IZWE has released its Audited Financial Statements for the year ended December 31, 2021, as per the attached.

Issued in Accra, this 1st
day of April 2022

\- E N D –

att'd.

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**XA*

Izwe Savings and Loans PLC
(Registration number PL000162015)
Financial statements
for the year ended 31 December 2021

General Information

Country of incorporation and domicile	Ghana
Nature of business and principal activities	Micro finance, financial services and all related activities
Directors	Raymond K. Bismarck Samuel Yeboah Angela Akosua Kissiwah Gyasi Mabel Nana Nyarkoa Porbley Carole Ramella
Registered office	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra
Business address	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra
Holding company	African Micro-Finance Equities incorporated in Mauritius
Ultimate holding company	Izwe Africa Holdings incorporated in Mauritius
Bankers	Access Bank (Ghana) Plc Agricultural Development Bank Limited Absa Bank Ghana Limited CAL Bank Limited Ecobank Ghana Limited Fidelity Bank Ghana Limited GCB Bank Limited Guaranty Trust Bank (Ghana) Limited National Investment Bank Limited Republic Bank (Ghana) Limited Societe Generale (Ghana) Limited Stanbic Bank Ghana Limited Standard Chartered Bank (Ghana) Limited La Community Bank
Auditors	Deloitte & Touche Chartered Accountants The Deloitte Place Plot No. 71, Off George Walker Bush Highway North Dzorwulu, Box 453, Accra
Secretary	Trustee Services Limited
Legal advisors	Bentsi - Enchill, Letsa & Ankomah No.4 Momotse Avenue Adabraka Accra
Company registration number	PL000162015

Contents

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

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Izwe Savings and Loans PLC for the year ended 31 December 2021.

1. Objectives and nature of business

Izwe Savings and Loans PLC was incorporated in Ghana and is engaged in the provision of micro finance, financial services and all related activities. The company operates principally in Ghana, with its registered office at Maestro Plaza, Kotobabi Main Road, Pig Farm, Accra.

The company is authorised and licensed by the Bank of Ghana (BOG) as a Non-Bank Financial Institution and received its Savings and Loans Licence effective 17 March 2017. This status accords the company the legal and regulatory mandate to receive and intermediate deposits, as well as disburse loans.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992), of Ghana and in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The accounting policies have been applied consistently compared to the prior year.

The company recorded a profit after tax for the year ended 31 December 2021 of GH¢ 1,608,338, in comparison to the profit after tax of the prior year of GH¢ 7,452,899.

The company's interest income decreased by 3% to GH¢ 109,086,433 in the current year from GH¢ 111,944,038 for the year ended 31 December 2020.

3. Authorised and issued stated capital

There have been no changes to the authorised or issued stated capital during the year under review.

4. Dividends

No dividends were declared or paid to the shareholders during the year under review (2020: GH¢ Nil).

5. Directors

The directors of the company during the year and to the date of this report are as follows:

Directors	Nationality	Qualifications/ Profession	Designation	Changes	Outside board and management position
Raymond K. Bismarck	Ghanaian	Banker	Executive		MarkRay Limited
Samuel Yeboah	Ghanaian	Businessman	Non-executive		Moysh Global Travel, 3Y-K Investments Company Limited, Syycol Limited, HRCH Limited
Angela Akosua Kissiwah Gyasi	Ghanaian	Lawyer	Non-executive		Cellulant Ghana Ltd, International Business Machines Ghana Ltd, Me Electmetal Ghana Ltd, Shearwa Ghana Ltd
Carole Ramella	French	Accountant	Non-executive		GFA Consulting Ltd, Nexto Pharmaceuticals Ltd
Mabel Nana Nyarkoa Porbley	Ghanaian	Business Executive	Non-executive		Integrated Delivery Xchanged Ltd, Saham Insurance Ghana Ltd, The Ghana National Bureau (Ecowas Brown Card Insurance Scheme), Wyn Contracting Ltd
Lance Graham Cleaver	South African		Non-executive	Resigned 02 June 2021	-

Directors' Report

Biographical information of director

Age category	Number of directors
41 - 60 years	5

6. Holding company

The company's holding company is African Micro-Finance Equities which is incorporated in Mauritius and holds 89.1% (2020: 89.1%) of the company's equity.

7. Ultimate holding company

The company's ultimate holding company is Izwe Africa Holdings which is incorporated in Mauritius.

8. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that would have a material impact on the financial statements.

9. Going concern

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

10. Auditors and audit fees

Deloitte & Touche will continue as auditors in accordance with Section 139(5) of the Companies Act, 2019 (Act 992). As at 31 December 2021, the amount payable in respect of audit fees was GH¢ 150,000.

The Audit Committee has the responsibility delegated from the board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor.

11. Secretary

The company secretary is Trustee Services Limited of:

Business address:

No.4 Momotse Avenue
Adabraka
Accra

12. Remuneration Structure

Directors remuneration is determined upon appointment and set out as follows:

Non-executive directors

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement. The term of non-executive directors is governed by the Bank of Ghana directive on corporate governance, which limits the maximum period of service for non-executive directors to nine years.

Non-executive directors are paid directors’ fees for attendance of Board and Sub-committee meetings.

Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

Executive director

The executive director receives a remuneration package and qualifies for long-term incentives on the same basis as other employees.

Directors' Report

13. Directors' interests in shares

Raymond K. Bismarck holds 1% of the company's ordinary shares.

14. Directors' interests in contracts

During the financial year, no contracts were entered into in which the directors or officers of the company had an interest and which significantly affected the business of the company.

15. Role of the Board

The directors are responsible for the long term success of the company, determine the strategic direction of the company and review operating, financial and risk performance. There is a formal schedule of matters reserved for the board of directors, including approval of the company's annual business plan, strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, all guarantees, treasury policies, the financial statements, the company's dividend policy, transactions involving the issue or purchase of company shares, borrowing powers, appointment to the board, alterations to the memorandum and articles of association, legal actions brought by or against the company, and the scope of delegations to board committees, subsidiary boards and the management committee. Responsibility for the development of policy and strategy and operational management is delegated to the executive director and a management committee, which as at the date of this report includes the executive director and 3 senior managers.

Directors' performance evaluation

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

Professional development and training

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

Conflicts of interest

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

Board balance and independence

The composition of the board of directors and its committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The board considers that the chairman is a non-executive on appointment and the majority of the non-executive directors are independent as it pertains to the management of the company. The continuing independent and objective judgement of the non-executive directors has been confirmed by the board of directors.

16. Property and equipment

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

At 31 December 2021 the company's investment in property and equipment amounted to GH¢ 5,752,112 (2020: GH¢ 4,300,725), of which GH¢ 3,264,460 (2020: GH¢ 1,927,701) was added in the current year through additions, as disclosed in note 8 of the financial statements.

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

Directors' Report

17. Employees

At the end of the year, the total number of employees of the company was at 172 (2020: 201). The related salaries and wages was GH¢ 12,352,315 (2020: GH¢ 11,240,644).

18. Corporate social responsibility

No cost was incurred in 2021 and 2020 under the company's social responsibility programme which places key focus on education and others. A total of GH¢ Nil (2020: GH¢ Nil) was spent under the company's social responsibility programme with key focus on education and others.

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

19. Corporate governance

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

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and maintaining adequate accounting records and an effective system of risk management.

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by International Accounting Standards Board and comply with the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

The roles of the Chairman and Managing Director are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all executive and non-executive directors. The Managing Director has a responsibility for all businesses and acts in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Managing Director.

20. Related party transactions

Related party transactions and balances are disclosed in note 24 to the financial statements. Raymond K. Bismarck has shares in the company. Other than service contracts, no director had a material interest in any contract to which the company was a party during the year.

The company has in place policies and procedures to ensure that all related party transactions are carried out at arm's length and in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This is intended to ensure that there is no favourable treatment given to a related party.

21. Code of Ethics

Employees

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

Board and waiver to the code ethics

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

Directors' Report

22. Environmental and social responsibility

The company's environmental and social impacts and responsibilities are effectively entrenched in the company's culture through the emphasis placed on the application of its activities and values in all its operations. The company therefore regards sustainable and social development as a fundamental aspect of sound business management.

23. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 30 March 2022 and signed on their behalf by the two directors below. No authority has been given to anyone to amend the financial statements after the date of issue.

Raymond K. Bismarck
Managing Director

Carole Ramella
Chairperson

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the company's cash flow forecast for the next 12 months and, in light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 9 to 13.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

Deloitte.

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Accra
Ghana

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Chartered Accountants
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Off George Walker Bush Highway
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Independent Auditor's Report

To the shareholders of Izwe Savings and Loans PLC

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Izwe Savings and Loans PLC, set out on pages 18 to 58, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies and other explanatory disclosures.

In our opinion, the financial statements give a true and fair view of the financial position of Izwe Savings and Loans PLC as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking-Institutions Act, 2016 (Act 930).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Bank in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA), International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Ghana.
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

MAKING AN IMPACT THAT MATTERS

Deloitte.

Independent Auditor's Report

To the shareholders of Izwe Savings and Loans PLC

Key Audit Matter

Loan loss impairment	Response
As at December 31, 2021, the Company's loan and advances portfolio was GHS 313.54 million with an associated impairment allowance for expected credit losses ("ECL" or "loss allowance") of GHS 19.02 million. As described in Note 1.2 and 5, ECL represents a complex accounting estimate, which is based on management's evaluation of probable loan losses expected to be incurred over the life of the loan. Expected credit losses was considered to be a key audit matter due to the level of significant judgement applied by management in determining ECL and the increased uncertainty related to the impact of COVID-19 pandemic on the local economy. The determination of related loss allowance is judgmental in nature. The areas of significant management judgement within the ECL measurement process include: • Probability of Default (PD) — This is an estimate of the likelihood of default over a given time horizon. Management's judgement considers historical default rates to predict the probability of default at future points-in-time incorporating forward looking economic information and qualitative information specific to portfolio segments. • The assessment of whether an exposure has met predefined default criteria as at the reporting date (i.e. a trigger event that has caused a deterioration in credit risk.	We performed the following procedures on the ECL for loans and advances with the assistance of our credit specialists: • Updated our understanding of management's processes around the measurement of the ECL including management's modelling methodology and assumptions. • Assessed the design and implementation of the relevant financial reporting controls relating to the processing input data and days past due, PDs and Staging. • Performed a methodology review of modelled ECL parameters and its compliance with IFRS 9 and documented our understanding of how management makes the estimate. • Assessed conformity of management's ECL accounting policy in the context of IFRS 9 and the Central bank's regulatory directives including current guidance relating to COVID-19. • Based on an audit sample, agreed the input data (days past due) to underlying audit evidence including loan systems data and loan documentation. • Assessed the definition of default on SICR. We then examined and evaluated specific circumstances of borrowers for selected credit facilities to identify qualitative and quantitative factors resulting in significant increase in credit risk or default. • Challenged management on conclusions reached relating to the presence or otherwise of SICR. • Performed a recalculation of the ECL estimate together with our credit specialists to validate management's methodology and appropriate inclusion of assumptions and input data (loss given default rates and effective interest rates). Based on the procedures described above, we found management's estimate to be reasonable.

Deloitte.

Independent Auditor's Report
To the shareholders of Izwe Savings and Loans PLC

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the statement of Directors' Responsibilities and Value-Added statement which we obtained prior to the date of this report. The 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 and will 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, the requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking-Institutions Act, 2016 (Act 930) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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 this 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

Deloitte.

Independent Auditor's Report

To the shareholders of Izwe Savings and Loans PLC

Report on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

1. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
2. In our opinion:
   - proper books of accounts have been kept by the Company, so far as appears from our examination of those books.
   - the information and explanations given to us, were in the manner required by the Companies Act, 2019 (Act 992) and give a true and fair view of the:

     a. statements of financial position of the Company at the end of the financial year, and
     b. statements of profit or loss and other comprehensive income for the financial year.

3. The Company's statements of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.

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

The Banks and Specialized Deposit-Taking Institution Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby state that:

1. We confirm that the accounts give a true and fair view of the state of the affairs of the Company and the results of operations for the year under review.
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors.
3. We confirm that the transactions of the Company were within its powers.
4. In our opinion, the Company has generally complied with the provisions of the Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and Regulations made under these enactments.
5. The Company has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The engagement partner on the audit resulting in this independent auditor's report is **Charlotte Forson-Abbey (ICAG/P/1509).**

Deloitte & Touche

For and on behalf of Deloitte & Touche (ICAG/F/2022/129)
Chartered Accountants
The Deloitte Place, Plot No.71
Off George Walker Bush Highway
North Dzorwulu
Accra, Ghana

31st March **2022**

Statement of Financial Position as at 31 December 2021

	Notes	2021 GH¢	2020 GH¢
Assets			
Cash and cash equivalents	3	23 140 301	20 153 126
Cash restricted for use	3	-	6 899 967
Trade and other receivables	4	49 592 858	20 669 928
Net advances	5	294 523 816	309 446 681
Current tax receivable	23	500 697	814 629
Right-of-use assets	6	16 907 340	13 671 947
Deferred tax	7	6 127 907	5 038 000
Property and equipment	8	5 752 112	4 300 725
Intangible assets	9	27 191	6 829
Amount due from related party	24	-	1 894 725
Total assets		**396 572 222**	**382 896 557**
Equity and Liabilities			
Equity			
Stated capital	10	18 532 825	18 532 825
Reserves		13 182 313	12 780 228
Retained income		18 315 550	17 109 297
		50 030 688	**48 422 350**
Liabilities			
Bank overdraft	3	4 901 460	-
Trade and other payables	11	31 018 947	27 690 332
Lease liabilities	6	12 330 752	9 877 419
Loans and borrowings	12	298 290 375	296 906 456
Total Liabilities		**346 541 534**	**334 474 207**
Total Equity and Liabilities		**396 572 222**	**382 896 557**

The financial statements and the notes on pages 14 to 57, were approved by the board of directors on 30 March 2022 and were signed on their behalf by:

Raymond K. Bismarck
Managing Director

Carole Ramella
Chairperson

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 GH¢	2020 GH¢
Interest and similar income	13	109 086 433	111 944 038
Interest and similar expense	14	(63 008 992)	(69 950 644)
Net interest income		**46 077 441**	**41 993 394**
Fee and commission income		33 088 324	27 188 838
Fee and commission expense		(13 338 383)	(10 717 114)
Net fee and commission income	15	**19 749 941**	**16 471 724**
Other operating income	16	3 829 849	7 218 450
Total operating income		**3 829 849**	**7 218 450**
Depreciation - right-of-use assets	6	(2 004 933)	(2 325 221)
Depreciation	8	(1 634 864)	(1 418 929)
Amortisation	9	(10 060)	(12 281)
Personnel costs	19	(14 180 043)	(12 729 427)
Exchange differences	17	203 902	(1 495 103)
Impairment loss on loans and advances	26	(16 290 409)	(8 696 214)
Other operating expenses	18	(33 468 637)	(28 244 538)
Total operating expenses		**(67 385 044)**	**(54 921 713)**
Profit before taxation		**2 272 187**	**10 761 855**
Taxation	20	(663 849)	(3 308 956)
Profit for the year		**1 608 338**	**7 452 899**
Other comprehensive income		-	-
Total comprehensive income for the year		**1 608 338**	**7 452 899**

The accounting policies and notes on pages 18 to 57 form an integral part of the financial statements.

Statement of Changes in Equity

	Stated capital GH¢	Statutory reserve GH¢	Retained income GH¢	Total equity GH¢
Balance at 01 January 2020	**18 532 825**	**9 053 778**	**13 382 848**	**40 969 451**
Profit for the year	-	-	7 452 899	7 452 899
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**7 452 899**	**7 452 899**
Transfer between reserves	-	3 726 450	(3 726 450)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**3 726 450**	**(3 726 450)**	**-**
Balance at 01 January 2021	**18 532 825**	**12 780 228**	**17 109 297**	**48 422 350**
Profit for the year	-	-	1 608 338	1 608 338
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**1 608 338**	**1 608 338**
Transfer between reserves	-	402 085	(402 085)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**402 085**	**(402 085)**	**-**
Balance at 31 December 2021	**18 532 825**	**13 182 313**	**18 315 550**	**50 030 688**
Note	10			

The accounting policies and notes on pages 18 to 57 form an integral part of the financial statements.

Statement of Cash Flows

	Notes	2021 GH¢	2020 GH¢
Cash flows from operating activities			
Cash generated from operations	21	57 810 673	14 212 132
Interest and similar expenses paid		(334 019)	(2 338 595)
Tax paid	23	(1 191 508)	(3 007 856)
Net cash from operating activities		**56 285 146**	**8 865 681**
Cash flows from investing activities			
Purchase of property and equipment	8	(3 264 460)	(1 927 701)
Proceeds from sale of property and equipment	8	168 552	49 290
Purchase of intangible assets	9	(30 422)	-
Net cash used in investing activities		**(3 126 330)**	**(1 878 411)**
Cash flows from financing activities			
Proceeds from related party loans	24	3 419 551	11 442 780
Repayment of related party loans	24	(1 591 470)	(7 985 391)
Proceeds from loans and borrowings	12	452 215 887	239 149 272
Repayments of loans and borrowings	12	(510 759 776)	(220 449 097)
Payment on lease liabilities	6	(5 257 260)	(3 801 550)
Cash restricted for use	3	6 899 967	7 092 885
Net cash from financing activities		**(55 073 101)**	**25 448 899**
Total cash, cash equivalents and bank overdraft movement for the year		**(1 914 285)**	**32 436 169**
Cash, cash equivalents and bank overdraft at the beginning of the year		20 153 126	(12 283 043)
Total cash, cash equivalents and bank overdraft at end of the year	3	**18 238 841**	**20 153 126**

The accounting policies and notes on pages 18 to 57 form an integral part of the financial statements.

Significant Accounting Policies

Reporting entity

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

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act, 2019 (Act 992).

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Ghanaian Cedis, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option: or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of GH¢ Nil.

Key sources of estimation uncertainty

Trade and other receivables and net advances

The company assesses its trade and other receivables and net advances for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables and net advances is calculated on a portfolio basis adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. Refer to note 4 for trade and other receivables and note 5 for net advances considerations.

Significant Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment allowances of trade and other receivables, net advances, cash and cash equivalents and trade and other payables are assumed to approximate their fair values due to the short term nature of trade and other receivables, net advances, cash and cash equivalents and trade and other payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

Residual values and useful lives of assets

Residual values and useful lives of tangible and intangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on the historical experience and expectations of the manner in which the assets are to be used, together with the expected proceeds likely to be realised when the assets are disposed at the end of their useful lives. Such expectations could change over time and, therefore, impact both the depreciation and amortisation charges and carrying values of tangible and intangible assets in the future.

Derivative financial instruments

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

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Taxation

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

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

Significant Accounting Policies

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

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 and adjustments in respect of hedge accounting, where appropriate.

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.

Property and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
IT equipment	3 years

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

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 year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Significant Accounting Policies

1.4 Intangible assets (continued)

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Average useful life**
Computer software	3 years

1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost.

Note 26 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Net advances at amortised cost

Classification

Net advances (note 5) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these advances give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these advances.

Significant Accounting Policies

1.5 Financial instruments (continued)

Recognition and measurement

Net advances are recognised when the company becomes a party to the contractual provisions of the advances. The advances are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the advance initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest rate method

Interest income is calculated using the effective interest interest rate method, and is included in profit or loss in finance income (note 13).

The application of the effective interest rate method to calculate interest income on an advance is dependent on the credit risk of the advance as follows:

- The effective interest rate is applied to the gross carrying amount of the advance, provided the advance is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If an advance is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the advance, even if it is no longer credit-impaired.
- If an advance was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the advance in the determination of interest. If, in subsequent periods, the advance is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Net advances denominated in foreign currencies

When net advances are denominated in a foreign currency, the carrying amount of the advance is determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in exchange differences (note 17).

Details of foreign currency risk exposure and the management thereof are provided in the specific net advance note and in the financial instruments and risk management note (note 26).

Impairment

The company recognises a loss allowance for expected credit losses on all advances measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective advances.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on an advance has not increased significantly since initial recognition, then the loss allowance for that advance is measured at 12 month expected credit losses (12 month ECL).

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

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of an advance being credit impaired at the reporting date or of an actual default occurring.

Significant Accounting Policies

1.5 Financial instruments (continued)

Significant increase in credit risk

In assessing whether the credit risk on an advance has increased significantly since initial recognition, the company compares the risk of a default occurring on the advance as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on an advance is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if an advance is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the advance has not increased significantly since initial recognition.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the company consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the company considers that default has occurred when an advance instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The company writes off an advance when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Advances written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the advance at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Advances are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the advance, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

Significant Accounting Policies

1.5 Financial instruments (continued)

An impairment gain or loss is recognised for all advances in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 18).

Credit risk

Details of credit risk related to net advances are included in the specific notes and the financial instruments and risk management note (note 26).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a net advance is included in profit or loss in operating expenses (note 18).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 4).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest rate method

For receivables which contain a significant financing component, interest income is calculated using the effective interest rate method, and is included in profit or loss in investment income (note 13).

The application of the effective interest rate method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Significant Accounting Policies

1.5 Financial instruments (continued)

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in exchange differences (note 17).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 26).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 18).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 4) and the financial instruments and risk management note (note 26).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the operating expenses line item (note 18).

Borrowings and loans from related parties

Classification

Loans from related parties (note 24) and borrowings (note 12) are classified as financial liabilities subsequently measured at amortised cost.

Significant Accounting Policies

1.5 Financial instruments (continued)

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest rate method, is included in profit or loss in interest and similar expenses paid.

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 26 for details of risk exposure and management thereof.

Borrowings and loans denominated in foreign currencies

When borrowings and loans are denominated in a foreign currency, the carrying amount of the borrowing and loan is determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in exchange differences (note 17).

Details of foreign currency risk exposure and the management thereof are provided in the specific borrowing and loan notes and in the financial instruments and risk management (note 26).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 11), excluding, when applicable, value added taxation and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest rate method results in the recognition of interest expense, then it is included in profit or loss in interest and similar expenses paid (note 14).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 26 for details of risk exposure and management thereof.

Significant Accounting Policies

1.5 Financial instruments (continued)

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the exchange differences (note 17).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 26).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents and cash restricted for use

Cash and cash equivalents and cash restricted for use 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 measured at fair value and subsequently measured at amortised cost.

The carrying value of cash and cash equivalents and cash restricted for use approximate their fair values due to their short term nature.

Bank overdrafts and bank facilities

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

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

Significant Accounting Policies

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances 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, or
- a business combination.

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

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

1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

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.

Significant Accounting Policies

1.7 Leases (continued)

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 18) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 6 Right-of-use assets.

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 by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

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

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- 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, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 18).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in interest and similar expenses paid.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

Significant Accounting Policies

1.7 Leases (continued)

- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

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 recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the right-of-use assets comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property and equipment. Refer to the accounting policy for property and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.8 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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.

Significant Accounting Policies

1.8 Impairment of non-financial assets (continued)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

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 classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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 company in which they are declared.

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

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.

Social security contributions

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

1.11 Interest

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

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

Significant Accounting Policies

1.11 Interest (continued)

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

1.12 Fees and commission income

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

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

1.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

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

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IFRS 9 - Interest Rate Benchmark Reform - Phase 2

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Amendments to IFRS 16 - Interest Rate Benchmark Reform - Phase 2

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the amendment is for years beginning on or after 01 January 2021.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Amendment to IFRS 16 - COVID-19 - Related Rent Concessions

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The company has adopted the amendment for the first time in the 2021 financial statements.

The impact of the amendment is not material.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company’s accounting periods beginning on or after 01 January 2022 or later periods:

Amendment to IAS 1 - Classification of Liabilities as Current or Non-Current

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The company expects to adopt the amendment for the first time in the 2024 financial statements.

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

Amendments to IFRS 9 - Annual Improvement to IFRS Standards 2018-2020

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

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

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

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

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The effective date of the amendment is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

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

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

Amendments to IAS 8 - Definition of accounting estimates

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty".

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

The amendment to IAS 12 Income Taxes requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommisioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendment.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021 GH¢	2020 GH¢
Cash on hand	2 718 913	954 676
Bank balances	20 421 388	19 198 450
	23 140 301	**20 153 126**
Current assets	23 140 301	20 153 126
Current liabilities	(4 901 460)	-
	18 238 841	**20 153 126**
Cash restricted for use	-	6 899 967
Bank overdraft	(4 901 460)	-

Absa Bank Ghana Limited

A one year renewed overdraft facility was obtained on 01 February 2020 of GH¢ 30,000,000 with Absa Bank Ghana Limited for the purpose of meeting working capital requirements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating	2021 GH¢	2020 GH¢
AA+	2 260 980	4 407 250
AAA	606 755	1 317 427
B	217 798	215 484
B-	12 847 927	1 787 719
B3	708 076	1 094 077
BB-	1 580 142	6 677 308
BBB	273 443	297 605
BBB-	61 430	51 887
BBB+	133 920	269 449
Cash on hand	2 718 913	954 676
Unrated	1 730 917	3 080 244
	23 140 301	**20 153 126**

Cash restricted for use

The balances below are classified as cash restricted for use as they are held as collateral for various facilities and cannot be accessed until the term of the facility has expired. The detail of the collateral and counterparties who hold this collateral is as follows:

	2021 GH¢	2020 GH¢
Absa Bank Ghana Limited		
For 2020 GH¢ 6,300,000 collateral was held against the Absa Bank Ghana Limited facility, which attracted interest at a fixed rate.	-	6 899 967

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

3. Cash and cash equivalents (continued)

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for cash and cash equivalents.

Exposure to interest rate risk

Refer to note 26 Financial instruments and risk management for details of interest rate risk management for cash and cash equivalents.

Exposure to credit risk

Refer to note 26 Financial instruments and risk management for details of credit risk exposure and management for cash and cash equivalents.

Exposure to liquidity risk

Refer to note 26 Financial instruments and risk management for details of liquidity risk exposure and management for bank overdraft balances.

4. Trade and other receivables

	2021 GH¢	2020 GH¢
Financial instruments:		
Trade receivables	310 405	-
Amounts due from related parties	683 142	-
Trade receivables at amortised cost	993 547	-
Other receivables*	28 600 707	-
Non-financial instruments:		
Deferred acquisition cost	18 146 240	18 703 498
Prepayments	1 852 364	1 966 430
Total trade and other receivables	**49 592 858**	**20 669 928**

*Other receivables consist of amounts outstanding from the Controller and Accountant General's Department that was not yet received as per the financial year end, the amount consist of two months of payments that is due.

Categorisation of trade and other receivables

	2021 GH¢	2020 GH¢
At amortised cost	29 594 254	-
Non-financial instruments	19 998 604	20 669 928
	49 592 858	**20 669 928**

Exposure to credit risk

Trade and other receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for trade and other receivables.

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

5. Net advances

	2021 GH¢	2020 GH¢
Loans and receivables		
Gross loans and advances to customers	313 539 385	325 396 315
Less: Allowance for impairment	(19 015 569)	(15 949 634)
	294 523 816	**309 446 681**

Categorisation of loans and advances to customers

Loans and advances to customers are categorised as follows in accordance with IFRS 9: Financial Instruments:

	2021 GH¢	2020 GH¢
At amortised cost	294 523 816	309 446 681

Net advances split by product

	2021 GH¢	2020 GH¢
Net advances - Payroll (1)		
Advances - Payroll	269 204 429	312 067 611
Allowance for impairment - Payroll	(14 748 822)	(14 587 251)
	254 455 607	**297 480 360**
Net advances - Secured lending (1)		
Advances - Secured lending	44 334 956	13 328 704
Allowance for impairment - Secured lending	(4 266 747)	(1 362 383)
	40 068 209	**11 966 321**

(1) The net advances balance is currently held by a security trustee as collateral to secured lenders as disclosed in note 12.

Loans and advances to customers past due but not impaired

The ageing of these loans are as follows:

2021	**Gross**	**Impairment**	**Net**
Current	249 851 226	(5 369 092)	244 482 134
Up to 30 days	23 779 848	(3 267 334)	20 512 514
Over 30 days less than 90 days	19 594 025	(2 918 965)	16 675 060
Over 90 days less than 180 days	5 973 791	(2 294 839)	3 678 952
Over 180 days less than 12 months	11 694 958	(4 519 560)	7 175 398
Over 12 months	2 645 537	(645 779)	1 999 758
	313 539 385	**(19 015 569)**	**294 523 816**

2020	**Gross**	**Impairment**	**Net**
Up to 30 days	284 652 173	(5 647 852)	279 004 321
Over 30 days less than 60 days	12 423 196	(771 389)	11 651 807
Over 60 days less than 90 days	5 949 807	(533 646)	5 416 161
Over 90 days less than 180 days	8 993 390	(2 826 773)	6 166 617
Over 180 days less than 9 months	5 404 443	(2 552 583)	2 851 860
Over 9 months less than 12 months	4 534 674	(2 251 470)	2 283 204
Over 12 months less than 18 months	2 057 415	(1 041 949)	1 015 466
Over 18 months	1 381 217	(323 972)	1 057 245
	325 396 315	**(15 949 634)**	**309 446 681**

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

5. Net advances (continued)

Key ratios on net loans and advances		
Impaired loss ratio	6.07%	6.01%
Non-performing loan ratio	6.00%	7.62%
Ratio of fifty largest exposure to total exposure	1.03%	0.73%

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for net advances.

Exposure to credit risk

Refer to note 26 Financial instruments and risk management for details of credit risk management for net advances.

6. Right-of-use assets

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2021 GH¢	2020 GH¢
Buildings	16 907 340	13 671 947

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 18), as well as depreciation which has been capitalised to the cost of other assets.

	2021 GH¢	2020 GH¢
Buildings	2 004 933	2 325 221

Reconciliation of lease asset		
Opening balance	13 671 947	21 931 414
New leases entered into in the current year	5 030 087	12 010 383
Depreciation expense for the year	(2 004 933)	(2 325 221)
Lease modifications	483 458	(937 105)
Leases derecognised in the year	(273 219)	(17 007 524)
Closing balance	**16 907 340**	**13 671 947**

Notes to the Financial Statements

6. Right-of-use assets (continued)

Other disclosures

	2021 GH¢	2020 GH¢
Interest expense on lease liabilities	2 548 018	4 571 873
Expenses on short term leases included in operating expenses	-	-
Profit on derecognition of leases	(77 751)	(4 108 647)
	2 470 267	**463 226**

At 31 December 2021, the company is committed to GH¢ Nil (2020: GH¢ Nil) for short-term leases.

Lease liabilities

Reconciliation of lease liability	2021 GH¢	2020 GH¢
Opening balance	9 877 419	18 830 133
New leases entered into in the current year	5 030 087	12 058 911
Interest expense for the year	2 548 018	4 576 030
Repayments for the year	(5 257 260)	(3 801 550)
Translation effect of leases denominated in USD	-	284 732
Lease modifications	483 458	(954 665)
Leases derecognised in the year	(350 970)	(21 116 172)
Closing balance	**12 330 752**	**9 877 419**

The maturity analysis of lease liabilities is as follows:

	2021 GH¢	2020 GH¢
Within one year	3 424 246	1 963 037
Two to five years	18 000 104	14 429 843
More than five years	4 707 661	7 367 925
	26 132 011	23 760 805
Less finance charges component	(13 801 259)	(13 883 386)
	12 330 752	**9 877 419**

Exposure to liquidity risk

Refer to note 26 Financial instruments and risk management for the details of liquidity risk exposure and management for lease liabilities.

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for lease liabilities.

7. Deferred tax

Deferred tax asset

	2021 GH¢	2020 GH¢
Deferred tax asset	6 127 907	5 038 000

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

7. Deferred tax (continued)

Reconciliation of deferred tax asset

	2021 GH¢	2020 GH¢
At beginning of year	5 038 000	5 012 521
Property plant and equipment	(242 956)	(192 158)
(Over) / under provision in prior years	(206 567)	11 939
Provision for bad and doubtful debts	766 484	(270 389)
Employee leave accrual	25 133	-
Net impact of IFRS 16	232 868	97 314
Movement in accruals	-	14 939
Repairs and maintenance	514 945	363 834
At year end	**6 127 907**	**5 038 000**

Deferred tax assets are recognised for temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

8. Property and equipment

	2021			2020		
	Cost GH¢	Accumulated depreciation GH¢	Carrying value GH¢	Cost GH¢	Accumulated depreciation GH¢	Carrying value GH¢
Furniture and fixtures	4 363 796	(2 019 840)	2 343 956	3 366 037	(1 431 827)	1 934 210
Motor vehicles	4 736 303	(2 126 176)	2 610 127	3 851 437	(1 952 449)	1 898 988
IT equipment	1 766 350	(1 447 229)	319 121	1 529 887	(1 230 912)	298 975
Capital - Work in progress (1)	478 908	-	478 908	168 552	-	168 552
Total	**11 345 357**	**(5 593 245)**	**5 752 112**	**8 915 913**	**(4 615 188)**	**4 300 725**

Reconciliation of property and equipment - 2021

	Opening balance GH¢	Additions GH¢	Disposals GH¢	Depreciation GH¢	Closing balance GH¢
Furniture and fixtures	1 934 210	997 759	-	(588 013)	2 343 956
Motor vehicles	1 898 988	1 551 330	(9 657)	(830 534)	2 610 127
IT equipment	298 975	236 463	-	(216 317)	319 121
Capital - Work in progress (1)	168 552	478 908	(168 552)	-	478 908
	4 300 725	**3 264 460**	**(178 209)**	**(1 634 864)**	**5 752 112**

Reconciliation of property and equipment - 2020

	Opening balance GH¢	Additions GH¢	Disposals GH¢	Depreciation GH¢	Closing balance GH¢
Furniture and fixtures	2 036 984	411 192	(20 501)	(493 465)	1 934 210
Motor vehicles	1 523 591	1 177 245	(87 744)	(714 104)	1 898 988
IT equipment	337 613	170 712	1 993	(211 343)	298 975
Capital - Work in progress (1)	-	168 552	-	-	168 552
	3 898 188	**1 927 701**	**(106 252)**	**(1 418 912)**	**4 300 725**

(1) Capital – work in progress consist of a vehicle not yet in use, no borrowing costs have been capitalised.

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

9. Intangible assets

	2021			2020		
	Cost GH¢	Accumulated amortisation GH¢	Carrying value GH¢	Cost GH¢	Accumulated amortisation GH¢	Carrying value GH¢
Computer software	565 459	(538 268)	27 191	535 037	(528 208)	6 829

Reconciliation of intangible assets - 2021

	Opening balance GH¢	Additions GH¢	Amortisation GH¢	Closing balance GH¢
Computer software	6 829	30 422	(10 060)	27 191

Reconciliation of intangible assets - 2020

	Opening balance GH¢	Amortisation GH¢	Closing balance GH¢
Computer software	19 110	(12 281)	6 829

10. Stated capital

	2021 GH¢	2020 GH¢
Authorised		
10 000 000 Ordinary shares of no par value	10 000 000	10 000 000
5 000 000 Non-cumulative, non-redeemable preference shares of no par value	5 000 000	5 000 000
	15 000 000	**15 000 000**

Unissued ordinary shares are under the control of the directors in terms of a resolution of the shareholders passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	2021 GH¢	2020 GH¢
Issued		
2 020 000 Ordinary shares of no par value	2 119 520	2 119 520
5 000 000 Non-cumulative, non-redeemable preference shares of no par value	16 413 305	16 413 305
	18 532 825	**18 532 825**

All issued shares are fully paid.

Statutory reserve

This represents non-distributable reserves maintained by the entity in accordance with the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Retained income

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

Notes to the Financial Statements

	2021 GH¢	2020 GH¢
11. Trade and other payables		
Financial instruments:		
Other payables	3 563 368	1 421 881
Amounts due to related parties	-	48 263
Other accruals	535 846	553 373
Non-financial instruments:		
Unearned arrangement fee income	26 150 632	25 144 659
Payroll accruals	769 101	522 156
	31 018 947	**27 690 332**

Categorisation of trade and other payables

	2021 GH¢	2020 GH¢
At amortised cost	4 099 214	2 023 517
Non-financial instruments	26 919 733	25 666 815
	31 018 947	**27 690 332**

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for trade and other payables.

Exposure to liquidity risk

Refer to note 26 Financial instruments and risk management for details of liquidity risk exposure and management trade and other payables.

12. Loans and borrowings

	2021 GH¢	2020 GH¢
Short term borrowings The company raises short term retail and corporate funding from customers. These have maturities less than 1 year and are unsecured deposits.	185 314 502	146 202 063
Listed notes - Subordinated The terms on these notes are 5 years to maturity and they bear no security. The issue comprises only variable rate notes.	36 982 644	10 187 718
Listed Corporate Notes The terms on these notes range from 3 to 5 years to maturity. The senior secured notes are secured over the loan book. The issue comprises fixed rate notes of GH¢ 19,611,694 and GH¢ 18,977,358 of variable rate notes.	38 589 052	47 832 384
Sanlam Life Insurance Limited The Sanlam Africa Credit Investments Limited loan of $5,000,000 was obtained on 24 May 2019. The loan is dominated in US Dollars, bears interest and is repayable quarterly. The loan is Senior Secured over the net loan book.	-	14 709 192
African Local Currency Bond Fund Limited The African Local Currency Bond Fund Limited loan of GH¢ 40,000,000 was obtained on 01 April 2019. The loan bears interest at a fixed rate and is repayable on 30 April 2021. The loan is Senior Secured over the net loan book.	-	41 939 000
Fidelity Bank Ghana Limited The Fidelity Bank Ghana Limited term loan of GH¢ 18,000,000 was obtained on 10 June 2019. The loan bears interest at a fixed rate and is repayable quarterly. The loan is Senior Secured over the net loan book.	15 472 178	6 703 938

Notes to the Financial Statements

	2021 GH¢	2020 GH¢
12. Loans and borrowings (continued)		
Regional Education Finance Fund for Africa	21 931 999	29 332 161
The Regional Education Finance Fund for Africa was obtained on 12 February 2020. The loan bears interest and is payable bi-annually. Capital is repayable in 4 equal amounts. The loan is Senior Secured over the net loan book.		
	298 290 375	**296 906 456**

Analysis of loans and borrowings

	2021 GH¢	2020 GH¢
Opening balance	296 906 456	262 752 841
Additions	452 215 887	239 149 272
Repayments	(510 759 776)	(220 449 097)
Accrued interest	60 077 199	15 317 688
Exchange differences	(149 391)	135 752
Closing balance	**298 290 375**	**296 906 456**

Exposure to liquidity risk

Refer to note 26 Financial instruments and risk management for details of liquidity risk exposure and management for loans and borrowings.

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for loans and borrowings.

Exposure to interest rate risk

Refer to note 26 Financial instruments and risk management for details of interest rate risk management for loans and borrowings.

13. Interest and similar income

	2021 GH¢	2020 GH¢
Loans and advances to customers	108 063 583	110 142 307
Interest received from staff loans and bank	1 022 850	1 801 731
	109 086 433	**111 944 038**

14. Interest and similar expenses

	2021 GH¢	2020 GH¢
Interest expense on amounts due to related parties	49 756	2 635 072
Interest on loans and borrowings	60 077 199	60 400 947
Interest expense on bank overdraft	334 019	2 338 595
Interest expense on lease liability	2 548 018	4 576 030
	63 008 992	**69 950 644**

15. Net fee and commission income / (expense)

	2021 GH¢	2020 GH¢
Fee and commission income on loans and advances	33 088 324	27 188 838
Fee and commission expense on loans and advances	(13 338 383)	(10 717 114)
	19 749 941	**16 471 724**

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

16. Net other operating income

Bad debts recovered	3 547 205	3 109 802
Profit on derecognition of right-of-use assets	77 751	4 108 648
Profit on sale of property, plant and equipment	204 893	-
	3 829 849	**7 218 450**

17. Exchange differences

Exchange differences	(203 902)	1 495 103

18. Other operating expenses

Administration and support fees	2 705 396	3 320 628
Advertising costs	1 916 994	2 009 380
Audit fees	181 438	194 540
Bank charges	361 640	349 660
Collection costs	6 227 175	6 006 906
Credit bureau	105 393	105 590
Fixed asset expenses	1 002 214	870 122
Information technology consulting expenses	4 552 466	2 373 900
Insurance	1 147 843	1 013 450
Legal and consulting fees	1 765 665	1 697 457
Other expenses	2 493 552	2 109 119
Postage and courier	136 246	118 280
Printing and stationery	482 387	480 516
Loss on disposal of property and equipment	-	56 963
Refreshments	173 145	191 049
Rent and utilities	948 258	413 237
Repairs and maintenance	1 132 751	663 008
Staff welfare costs	521 595	186 435
Telephone and data costs	1 040 706	1 068 435
Travel and accommodation	4 173 500	3 061 357
Value added taxation write-off	2 400 273	1 954 506
	33 468 637	**28 244 538**

19. Personnel costs

Salaries and wages	12 352 315	11 240 644
Directors fees	181 333	128 333
Leave pay	168 198	94 212
Company contributions (Medical and pension funds)	1 478 197	1 266 238
	14 180 043	**12 729 427**

20. Taxation

Major components of the tax expense

Current		
Local income tax - current period	1 640 147	2 784 404
Stabilisation levy	113 609	538 093
	1 753 756	**3 322 497**
Deferred		
Originating and reversing temporary differences	(1 089 907)	(13 541)
	663 849	**3 308 956**

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

20. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2021 GH¢	2020 GH¢
Accounting profit	2 272 187	10 761 855
Tax at the applicable tax rate of 25% (2020: 25%)	568 047	2 690 464
Tax effect of adjustments on taxable income		
Stabilizing levy	113 609	538 093
Permanent differences	(17 807)	80 399
	663 849	**3 308 956**

21. Cash generated from operations

	2021 GH¢	2020 GH¢
Profit before taxation	2 272 187	10 761 855
Adjustments for:		
Depreciation and amortisation	3 649 857	3 756 414
Loss on sale property and equipment	9 657	56 962
Profit on derecognition of leases	(77 751)	(4 108 648)
Interest accrual on related party loan	49 756	(6 250 680)
Interest accrual on loans and borrowings	60 077 199	15 317 688
Interest and similar expenses paid	2 882 037	6 914 625
WHT tax credits on interest income	(248 316)	(198 177)
Movement in leases	-	30 968
Exchange differences on loans and borrowings	(149 391)	135 752
Exchange differences on related party loan	16 888	18 307
Foreign exchange movements on USD leases	-	284 732
Changes in working capital:		
Trade and other receivables	(28 922 930)	1 268 278
Derivative asset	-	(16 145)
Net advances	14 922 865	(10 466 461)
Trade and other payables	3 328 615	(3 293 338)
	57 810 673	**14 212 132**

22. Net debt reconciliation

Analysis of net debt and movements of net debt for each period presented:

	2021 GH¢	2020 GH¢
Cash and cash equivalents	23 140 301	20 153 126
Loans and borrowings	(298 290 375)	(296 906 456)
Bank overdraft	(4 901 460)	-
Lease liabilities	(12 330 752)	(9 877 419)
Net debt	**(292 382 286)**	**(286 630 749)**

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

22. Net debt reconciliation (continued)

	Cash and cash equivalents GH¢	Lease liabilities GH¢	Loans and borrowings GH¢	Amount due to related party GH¢	Bank overdraft GH¢	Total GH¢
Net debt as at 1 January 2020	10 419 943	(18 830 133)	(262 752 841)	(880 259)	(22 702 986)	(294 746 276)
Cash flows	9 733 183	3 801 550	(18 693 885)	880 259	22 702 986	18 424 093
Non-cash flows	-	5 151 164	(15 459 730)	-	-	(10 308 566)
Net debt as at 31 December 2020	20 153 126	(9 877 419)	(296 906 456)	-	-	(286 630 749)
Cash flows	2 987 175	5 257 260	58 543 889	-	(4 901 460)	61 886 864
Non-cash flows	-	(7 710 593)	(59 927 808)	-	-	(67 638 401)
Net debt as at 31 December 2021	**23 140 301**	**(12 330 752)**	**(298 290 375)**	**-**	**(4 901 460)**	**(292 382 286)**

23. Tax paid

	2021	2020
Balance at beginning of the year	814 629	943 032
Current tax for the year recognised in profit or loss	(1 753 756)	(3 322 497)
Under provision in prior years	-	(11 939)
WHT tax credits on interest income	248 316	198 177
Balance at end of the year	(500 697)	(814 629)
	(1 191 508)	**(3 007 856)**

24. Related parties

Relationships

Ultimate holding company	Izwe Africa Holdings
Holding company	African Micro-Finance Equities (89.1%)
Fellow subsidiary	African Micro-Finance Holdings
Other shareholders	Abedi Pele Ayew (9.9%) Raymond K. Bismarck (1%)
Directors	Lance Graham Cleaver (resigned 02 June 2021) Raymond K. Bismarck Samuel Yeboah Angela Akosua Kissiwah Gyasi Mabel Nana Nyarkoa Porbley Carole Ramella

Related party balances

	2021	2020
Loan accounts - Owing by related parties		
Africa Micro-Finance Holdings (1)	-	1 894 725

	2021	2020
Analysis of related parties		
Opening balance	1 894 725	(880 259)
Additions	(3 419 551)	(11 442 780)
Repayments	1 591 470	7 985 391
Interest accrued	(49 756)	6 250 680
Exchange differences	(16 888)	(18 307)
Closing balance	**-**	**1 894 725**

Notes to the Financial Statements

	2021 GH¢	2020 GH¢

24. Related parties (continued)

(1) The loan is unsecured, bears interest at a fixed rate, compounded quarterly and is payable on written notice from the lender in 6 equal monthly instalments commencing on the first business day of the second calendar month following the date on which the written notice was delivered.

Exposure to currency risk

Refer to note 26 Financial instruments and risk management for details of currency risk management for loans from related parties.

Exposure to liquidity risk

Refer to note 26 Financial instruments and risk management for details of liquidity risk exposure and management for loans from related parties.

Exposure to interest rate risk

Refer to note 26 Financial instruments and risk management for details of interest rate risk management for loans from related parties.

	2021 GH¢	2020 GH¢
Amounts included in trade receivables / (trade payables) regarding related parties		
African Micro-Finance Holdings	683 142	(48 783)

The amounts are unsecured, interest free and are repayable on demand.

Related party transactions

	2021 GH¢	2020 GH¢
Interest paid to / (received from) related parties		
African Micro-Finance Holdings	49 756	(249 411)
Management fees paid to related parties		
African Micro-Finance Holdings	392 307	427 700
Other expenses paid to related parties		
African Micro-Finance Holdings	104 174	-
Compensation to directors and other key management		
Director fees	181 333	128 333
Loans to directors and key management	467 355	154 153
Key management emoluments	3 060 548	2 689 445
	3 709 236	**2 971 931**

25. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year (2020: Nil).

Notes to the Financial Statements

26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Notes	Amortised cost	Total carrying amount
Net advances	5	294 523 816	294 523 816
Trade and other receivables	4	29 594 254	29 594 254
Cash and cash equivalents	3	23 140 301	23 140 301
		347 258 371	**347 258 371**

2020

	Notes	Amortised cost	Total carrying amount
Amount due from related party	24	1 894 725	1 894 725
Net advances	5	309 446 681	309 446 681
Trade and other receivables	4	20 669 928	20 669 928
Cash restricted for use	3	6 899 967	6 899 967
Cash and cash equivalents	3	20 153 126	20 153 126
		359 064 427	**359 064 427**

Categories of financial liabilities

2021

	Notes	Amortised cost	Total carrying amount
Trade and other payables	11	4 099 214	4 099 214
Loans and borrowings	12	298 290 375	298 290 375
Bank overdraft	3	4 901 460	4 901 460
		307 291 049	**307 291 049**

2020

	Notes	Amortised cost	Total carrying amount
Trade and other payables	11	2 023 517	2 023 517
Loans and borrowings	12	296 906 456	296 906 456
		298 929 973	**298 929 973**

Capital risk management

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

The capital structure of the company consists of debt, which includes borrowings disclosed in notes 12 and 24, cash and cash equivalents disclosed in note 3 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

Notes to the Financial Statements

		2021 GH¢	2020 GH¢

26. Financial instruments and risk management (continued)

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

Regulatory capital

Regulatory capital refers to the capital that the company must hold as stated capital at any given point in time as per the requirements of the Bank of Ghana. The company has complied with the minimum capital requirement of GH¢ 15,000,000.

Capital Adequacy

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

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

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

The capital structure and gearing ratio of the company at the reporting date was as follows:

	Note	2021 GH¢	2020 GH¢
Loans and borrowings	12	298 290 375	296 906 456
Bank overdraft	3	4 901 460	-
Total borrowings		**303 191 835**	**296 906 456**
Cash and cash equivalents	3	(23 140 301)	(20 153 126)
Net borrowings		**280 051 534**	**276 753 330**
Equity		50 030 688	48 422 350
Total capital		**330 082 222**	**325 175 680**
Gearing ratio		6.06	6.13

	2021 GH¢	2020 GH¢
Tier 1 Capital		
Ordinary stated capital / Shares (note 10)	2 119 520	2 119 520
Permanent non-cumulative preference shares	16 413 305	16 413 305
Retained earnings	18 315 550	17 109 297
Statutory reserves	13 182 313	12 780 228
Shareholder's funds	**50 030 688**	**48 422 350**
Tier 2 Capital		
Subordinated term debt	21 446 257	10 187 718
Total regulatory capital	**71 476 945**	**58 610 068**
Adjusted risk - weighted assets	**429 202 685**	**423 432 864**
Total regulatory capital expressed as a percentage of Total-risk weighted asset is	16.62%	13.84%

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on net advances, trade and other receivables, cash restricted for use and cash and cash equivalents. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Management, for loans issued to customers, uses independent credit bureau reports and its internally developed scorecards when assessing the credit quality of the loan applicant. The internally generated scorecards are developed on the back of the company's risk tolerance, past history with the client and the client's financial position amongst other factors which are included in the company's credit policy. The loans and advances to customers have been reduced by the amount Izwe expects will not be collected in the future to take into account the company's credit exposure.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Net advances which do not contain a significant financing component are the exceptions and are discussed below.

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade and other receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other financial assets, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade and other receivables.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**
Amount due from related party	24	-	-	-	1 894 725	-	1 894 725
Trade and other receivables	4	29 594 254	-	29 594 254	20 669 928	-	20 669 928
Net advances	5	313 539 385	(19 015 569)	294 523 816	325 396 315	(15 949 634)	309 446 681
Cash restricted for use	3	-	-	-	6 899 967	-	6 899 967
Cash and cash equivalents*	3	23 140 301	-	23 140 301	20 153 126	-	20 153 126
		366 273 940	**(19 015 569)**	**347 258 371**	**375 014 061**	**(15 949 634)**	**359 064 427**

* Excludes petty cash not subject to credit risk.

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

Reconciliation of credit loss allowance	**12 month expected credit losses**	**Lifetime expected credit losses**	**Credit impaired financial assets**	**Total**
Opening balance	4 639 668	2 636 314	8 673 652	15 949 634
Originations	3 202 899	4 532 788	1 111 766	8 847 453
Existing book movements	(141 214)	382 035	2 359 568	2 600 389
Settlements in the ordinary course of business	(1 753 404)	(1 335 370)	(2 311 881)	(5 400 655)
Write offs	(2 770)	(221 359)	(2 757 123)	(2 981 252)
Closing balance	**5 945 179**	**5 994 408**	**7 075 982**	**19 015 569**

26. Financial instruments and risk management (continued)

	2021 GH¢	2020 GH¢
Opening balance	15 949 634	17 031 190
Impairment loss write off	(2 981 252)	(9 777 770)
Movement in allowance for the year recognised in the statement of comprehensive income	6 047 187	8 696 214
Closing balance	**19 015 569**	**15 949 634**

Reconciliation of net advances	**12 month expected credit losses**	**Lifetime expected credit losses**	**Credit impaired financial assets**	**Total**
Current portfolio	229 263 702	20 587 524	-	249 851 226
Due 30 days	13 212 754	10 567 094	-	23 779 848
Due 30 to 90 days	6 698	18 254 759	1 332 568	19 594 025
Due 90 to 180 days	4 462	1 821 636	4 147 694	5 973 792
Due 180 days to less than 12 months	51 470	3 491 124	8 152 365	11 694 959
Due 12 months and above	186 555	-	2 458 980	2 645 535
Gross advances	242 725 641	54 722 137	16 091 607	313 539 385
Credit loss allowance	(5 945 181)	(5 994 408)	(7 075 980)	(19 015 569)
Net advances	**236 780 460**	**48 727 729**	**9 015 627**	**294 523 816**

Credit collateral

The company holds collateral against loans and advances to customers on its Vehicle Asset Finance product (Car4Cash) in the form of title interests over vehicles. The maximum tenure of the Car4Cash product is 48 months. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated when appropriate.

During the year, the total collateral against these advances is GH¢ 84,819,995 (2020: GH¢ 39,563,588).

The main type of collateral obtained is private or personal vehicles. Management monitors the market values of collaterals and will request additional collateral in accordance with the underlying agreement where necessary.

Collateral repossessed

During the year, there were 81 repossessed and renegotiated assets by the company (2020: 48).

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due.

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

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

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

		Less than 1 year	1 to 2 years	2 to 5 years	Total
Liabilities					
Trade and other payables	11	4 099 214	-	-	4 099 214
Loans and borrowings	12	241 765 375	24 762 500	31 762 500	298 290 375
Bank overdraft	3	4 901 460	-	-	4 901 460
		250 766 049	**24 762 500**	**31 762 500**	**307 291 049**

2020

		Less than 1 year	1 to 2 years	2 to 5 years	Total
Liabilities					
Trade and other payables	11	2 023 517	-	-	2 023 517
Loans and borrowings	12	222 376 335	26 305 605	48 224 516	296 906 456
		224 399 852	**26 305 605**	**48 224 516**	**298 929 973**

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars and South African Rands.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

At 31 December 2021, if the currency had weakened/strengthened by 5% against the US Dollar with all other variable held constant, post-tax profit for the year would have been GH¢ 45,457 (2020: GH¢ 452,446) higher/lower, mainly as a result of foreign exchange gains or losses on transition of US Dollar denominated loans and borrowings.

2021	USD (Cedi equivalent)	Cedi	ZAR	Total
Assets				
Net advances	-	294 523 816	-	294 523 816
Cash and cash equivalents	1 895 340	21 244 961	-	23 140 301
Total financial assets	**1 895 340**	**315 768 777**	**-**	**317 664 117**
Liabilities				
Loans and borrowings	-	298 290 375	-	298 290 375
Trade and other payables	(683 142)	(2 732 930)	-	(3 416 072)
Bank overdraft	-	(4 901 460)	-	(4 901 460)
Total financial liabilities	**(683 142)**	**290 655 985**	**-**	**289 972 843**
Net financial position	**1 212 198**	**606 424 762**	**-**	**607 636 960**

26. Financial instruments and risk management (continued)

2020

Assets				
Net advances	-	309 446 681	-	309 446 681
Cash and cash equivalents	3 806 908	16 346 218	-	20 153 126
Cash restricted for use	-	6 899 967	-	6 899 967
Current tax receivable	-	814 629	-	814 629
Total financial assets	**3 806 908**	**333 507 495**	**-**	**337 314 403**
Liabilities				
Loans and borrowings	(14 709 192)	(282 197 264)	-	(296 906 456)
Trade and other payables	(48 263)	(1 975 254)	-	(2 023 517)
Total financial liabilities	**(14 757 455)**	**(284 172 518)**	**-**	**(298 929 973)**
Net financial position	**(10 950 547)**	**49 334 977**	**-**	**38 384 430**

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The debt of the company is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favourably with those rates available in the market.

The company policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Carrying amount	
		2021	2020
Variable rate instruments:			
Assets			
Cash and cash equivalents*	3	20 421 388	20 153 126
Net advances	5	294 523 816	309 446 681
		314 945 204	**329 599 807**
Liabilities			
Loans and borrowings	12	(298 290 375)	(267 966 428)
Bank overdraft	3	(4 901 460)	-
		(303 191 835)	**(267 966 428)**
Net variable rate financial instruments		**11 753 369**	**61 633 379**

* Excludes petty cash not subject to interest rate risk.

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

Fixed rate instruments:			
Assets			
Amount due from related party	24	-	1 894 725
Cash and cash equivalents	3	-	6 899 967
		-	**8 794 692**
Liabilities			
Loans and borrowings	12	-	(28 940 028)
Net fixed rate financial instruments		**-**	**(20 145 336)**

Variable rate financial assets as a percentage of total interest bearing financial assets	100.00 %	68.58 %
Fixed rate financial assets as a percentage of total interest bearing financial assets	- %	31.42 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities	100.00 %	100.00 %
Fixed rate financial liabilities as a percentage of total interest bearing financial liabilities	- %	9.75 %

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2021	**2021**	**2020**	**2020**
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Net advances 1% (2020: 1%)	2 945 238	(2 945 238)	3 094 467	(3 094 467)
Loans and borrowings 1% (2020: 1%)	(2 982 904)	2 982 904	(2 969 065)	2 969 065
Bank overdraft 1% (2020: 1%)	(49 015)	49 015	-	-
Cash and cash equivalents 1% (2020: 1%)	204 214	(204 214)	201 531	(201 531)
Cash restricted for use 1% (2020: 1%)	-	-	69 000	(69 000)
	117 533	**(117 533)**	**395 933**	**(395 933)**

Price risk

The company is not exposed to equity securities price risk because there are no investments held by the company and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss.

27. Fair value information

The carrying value less impairment provision of trade and other receivables, net advances, cash and cash equivalents and trade and other payables approximate their fair values due to the short term nature of trade and other receivables, net advances, cash and cash equivalents and trade and other payables.

Fair value is a market-based measurement and is defined as 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.

A financial instrument's categorisation within a three-level valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Notes to the Financial Statements

27. Fair value information (continued)

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

28. Going concern

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

29. Contingent liabilities

There are no active legal proceedings against the company as at 31 December 2021.

30. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that would have a material impact on the financial statements.

Value Added Statement

	2021 GH¢	2020 GH¢
Value Added		
Other operating income	19 749 941	137 666 648
Direct cost of services and other costs	-	(61 986 943)
Impairment loss on financial assets	(16 290 409)	(8 696 214)
Total Value Added	**3 459 532**	**66 983 491**
Value Distributed		
To Pay Employees		
Salaries, wages, medical and other benefits	(13 998 710)	(12 520 317)
Directors	(181 333)	(128 333)
	(14 180 043)	**(12 648 650)**
To Pay Government		
Income tax	550 240	2 770 863
Education tax	113 609	538 093
	663 849	**3 308 956**
To be retained in the business for expansion and future wealth creation:		
Depreciation and amortisation	(3 649 857)	(3 744 150)
Deferred tax	(1 089 907)	(12 281)
	(4 739 764)	**(3 756 431)**
Value retained		
Retained profit	6 490 242	7 452 899
	6 490 242	**7 452 899**