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PRESS RELEASE

PR. No 094/2019

IZWE SAVINGS AND LOANS PLC (IZWE)
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

IZWE has released its audited Financial Statements for the year ended December 31, 2018 as per the attached.

Issued in Accra, this 29th
day of March, 2019

- E N D –

att'd.

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Izwe Savings and Loans PLC

(Registration number PL000162015)
Financial Statements
for the year ended 31 December 2018

Izwe Savings and Loans PLC

(Registration number PL000162015)
Financial Statements for the year ended 31 December 2018

General Information

Country of incorporation and domicile	Ghana
Nature of business and principal activities	Micro finance, financial services and all related activities
Directors	
	David Eugene Fichardt Lance Graham Cleaver Raymond K. Bismarck Abedi Pele Ayew Samuel Yeboah Angela Akosua Kissiwah Gyasi
Registered office	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra
Business address	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra
Holding company	African Micro-Finance Equities incorporated in Mauritius
Ultimate holding company	Izwe Africa Holdings incorporated in Mauritius
Bankers	Barclays Bank Ghana Limited Standard Chartered Bank (Ghana) limited GCB Bank Limited
Auditor	Deloitte & Touche Chartered Accountants The Deloitte Place Plot No. 71, Off George Walker Bush Highway North Dzorwulu, Box 453, Accra
Secretary	Trustee Services Limited No. 4 Momotse Avenue Adabraka Accra
Legal advisors	Bentsi - Enchill, Letsa & Ankomah No. 4 Momotse Avenue Adabraka Accra
Company registration number	PL000162015

Contents

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

Directors' Report

The directors have the pleasure in submitting their report on the financial statements of the company for the year ended 31 December 2018.

1. Objectives and Nature of business

Izwe Savings and Loans PLC 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.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 1963 (Act 179), of Ghana and in accordance with the Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930). The accounting policies have been applied consistently compared to the prior year, with the exception of the implementation of IFRS 9 as set out in the financial statements.

The company recorded a net profit after tax for the year ended 31 December 2018 of GH¢ 8,676,692, in comparison to the net profit after tax of the prior year of GH¢5,950,941.

The company's interest income increased by 23.29% to GH¢ 96,343,891 in the current year from GH¢78,143,488 for the year ended 31 December 2017.

3. Stated capital

There have been no changes to the authorised capital.

4. Dividends

The board of directors do not recommend the declaration of an ordinary dividend for the year (2017: Nil).

5. Directorate

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

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

Biographical information of directors

Age category	Number of directors
Up to 40 years	3
41 - 60 years	3

Directors' Report

6. Directors' interests in shares

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

7. Role of the Board

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

Directors' performance evaluation

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

Professional development and training

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

Conflicts of interest

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

Board balance and independence

The composition of the board of directors and its Committees is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is 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.

8. Property and equipment

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

At 31 December 2018 the company's investment in property and equipment amounted to GH¢2,631,119 (2017: GH¢2,744,263), of which GH¢ 898,146 (2017: GH¢ 1,147,992) was added in the current year through additions, as disclosed in note 9 of the financial statements.

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

Directors' Report

9. Holding company

The company's holding company is African Micro-Finance Equities which holds 89.1% (2017: 89.1%) of the company's equity. African Micro-Finance Equities is incorporated in Mauritius.

10. Events after the reporting period

The directors are not aware of any material events which occurred after the reporting date and up to the date of this report.

11. Going concern

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

12. Auditors

Deloitte & Touche have been appointed as auditors for the company for 2018.

The Audit Committee has the responsibility delegated from the board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. KPMG has been the auditor of Izwe Loans Limited for 7 years and in accordance with Companies Act requirements has been replaced by a new audit firm in 2018, Deloitte & Touche. Deloitte & Touche does not provide non-audit services to the Company.

13. Secretary

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

No. 4 Momotse Avenue
Adabraka
Accra

14. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 27 March 2019. No authority has been given to anyone to amend the financial statements after the date of issue.

15. Key management emoluments

Key management emoluments for the period amounted to GH¢ 1,295,256 (2017: GH¢ 1,041,948).

Directors' remunerations are determined upon appointment. Non-Executive directors are paid directors' fees for attendance of Board and Sub-committee meetings.

16. Loans to key management

Loans to key management for the period amounted to GH¢ 387,474 (2017: GH¢ 297,024).

Directors' Report

17. Employees

At the end of the year, the toal number of employees of the Company was at 181 (2017: 166). The related salaries and wages was GH¢ 8,956,852 (2017: GH¢ 6,564,705).

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

18. Corporate governance

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

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

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and comply with the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930).

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

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 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.

19. Related party transactions

Related party transactions and balances are disclosed in note 25 to the financial statements. Abedi Pele Ayew and Raymond K. Bismarck both have shares in the company. Other than service contracts, no director had a material interest in any contract to which the company was a party during the year.

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.

20. Code of Ethics

Employees

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

Board and waiver to the code ethics

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

21. 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. Izwe Savings and Loans PLC therefore regards sustainable and social development as a fundamental aspect of sound business management.

Directors' Responsibilities and Approval

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors 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 auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on pages 8 to 12.

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.

The report of the directors set out on pages 3 to 6 and the financial statements set out on pages 13 to 60, which have been prepared on the going concern basis, were approved by the board of directors on 27 March 2019 and were signed on their behalf by:

Raymond K. Bismarck
Managing Director

Abedi Pele Ayew
Director

Deloitte.

P. O. Box GP 453
Accra
Ghana

Deloitte & Touche
Chartered Accountants
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Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Izwe Savings and Loans PLC which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

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 2018 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930).

Other matter

The financial statements of Izwe Savings and Loans PLC for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements. We do not express an opinion or any other form of assurance on the 2017 financial statement as a whole.

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Key audit matter	How our audit addressed the key audit matter
Loan Loss Provision	
The Company recognises a loss allowance for expected credit losses on all advances measured at amortised cost. The impaired allowances for financial assets are based on assumptions about risk of default and expected loss rate. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Due to the significant judgement that is applied by management in determining whether an impairment loss has occurred, we considered this a key audit risk. Significant judgement relate to the following matters: - Determining the staging of loans and advances of the Company which includes establishing groups of similar financial assets - Determining the probability of default (PD) and loss given default (LGD), which includes establishing the relative weightings of forward-looking scenarios for each type of loan and the associated Expected Credit Loss (ECL). - Determining criteria for significant increase in credit risk The disclosures relating to impairment of loans and advances to customers, which are included in note 1.5, note 2 and note 7, to these financial statements, are considered important to the users of the financial statements given the level of judgement and estimation involved. Additionally, given this is a first time adoption of IFRS 9, additional disclosures are required in the financial statements.	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss. In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed. In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency, nature of control and risk associated with the control to determine whether the control operated during the year. We performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default and the Loss Given Default. We challenged management's staging of its loans and advances in the ECL module and tested facilities to ensure they have been included in the correct stage. We tested the underlying calibration data behind the determination of the probability of default by agreeing same to underlying supporting documentation. We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We further tested the disclosures to ensure that the required disclosures under IFRS 9 together with the first time adoption disclosures have been appropriately disclosed.

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 other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 that we have obtained prior to the date of this auditors' 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 Company's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930); and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of financial statements

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

Deloitte.

Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 relating 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 Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the audit committee and the directors, 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 benefits derivable by the public from such communication.

Deloitte.

Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Report on Other Legal and Regulatory Requirements

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

We confirm that:

i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930) Section 85 (2) requires that we state certain matters in our report. We hereby state that;

(a) The financial statements give a true and fair view of the state of affairs of the Company and the results of its operations for the year under review;

(b) We obtained all the information and explanations required for the efficient performance of our audit;

(c) The transactions of the Company are within its powers;

(d) In our opinion the Company has generally complied with the provisions of the anti-money laundering Act, 2008 (Act 749), the Anti –Terrorism Act, 2008 (Act 762) and the regulations made under these enactments and,

(e) 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 (ICAG/P/1509)**

Deloitte & Touche

For and on behalf of Deloitte & Touche (ICAG/F/2019/129)
Chartered Accountants
Plot No. 71, Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

29 March ***2019***

Statement of Financial Position as at 31 December 2018

Figures in Ghanaian Cedi	Notes	2018	2017
Assets			
Cash and cash equivalents	4	17,385,469	21,583,145
Cash restricted for use	4	3,150,000	995,324
Current tax receivable	5	757,070	-
Trade and other receivables	6	19,326,991	11,638,591
Net advances	7	279,825,636	179,496,716
Deferred tax	8	3,718,013	2,394,284
Property and equipment	9	2,631,119	2,744,263
Intangible assets	10	25,171	165,348
		326,819,469	**219,017,671**
Equity and Liabilities			
Equity			
Share capital	11	18,532,825	18,532,825
Reserves		7,313,816	2,975,470
Retained income		11,642,649	5,921,678
		37,489,290	**27,429,973**
Liabilities			
Bank overdraft	4	13,964,493	46,633
Derivative liability	12	291,085	-
Trade and other payables	13	27,159,484	13,873,780
Current tax payable	5	-	181,167
Loans from related parties	25	66,544,346	627,400
Loans and borrowings	14	181,370,771	176,858,718
		289,330,179	**191,587,698**
Total Equity and Liabilities		**326,819,469**	**219,017,671**

The financial statements and the notes on pages 13 to 60, were approved by the board of directors on the 27 March 2019 and were signed on their behalf by:

Raymond Bismarck
Managing Director

Abedi Pele Ayew
Director

The accounting policies and notes on pages 17 - 60 form an integral part of the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Figures in Ghanaian Cedi	Notes	2018	2017
Interest income calculated using the effective interest method	15	96,343,891	78,143,488
Interest and similar expense	16	(45,632,740)	(36,217,561)
Net interest income		**50,711,151**	**41,925,927**
Fee and commission income		13,099,733	7,682,647
Fee and commission expense		(6,091,273)	(4,735,754)
Net fee and commission income	17	**7,008,460**	**2,946,893**
Other operating income	18	1,898,763	1,363,157
Total other operating income		**1,898,763**	**1,363,157**
Depreciation	9	(933,141)	(863,833)
Amortisation	10	(31,764)	(89,796)
Personnel costs	19	(9,026,245)	(6,580,704)
Impairment loss on loans and advances	26	(12,946,805)	(10,959,539)
Exchange differences	20	(2,027,725)	(143,452)
Other operating expenses	21	(22,218,804)	(18,821,638)
Total operating expenses		**(47,184,484)**	**(37,458,962)**
Profit before taxation		**12,433,890**	**8,777,015**
Taxation	22	(3,757,198)	(2,826,074)
Profit for the year		**8,676,692**	**5,950,941**
Other comprehensive income		-	-
Total comprehensive income for the year		**8,676,692**	**5,950,941**

The accounting policies and notes on pages 17 - 60 form an integral part of the financial statements.

Statement of Changes in Equity

Figures in Ghanaian Cedi	Stated capital	Statutory reserves	Retained income	Total equity
Balance at 01 January 2017	**18,413,305**	**-**	**2,946,208**	**21,359,513**
Total comprehensive income for the year	**-**	**-**	5,950,940	5,950,940
Issue of shares	119,520	-	-	119,520
Transfer between reserves	-	2,975,470	(2,975,470)	-
Total contributions by and distributions by owners of company	**119,520**	**2,975,470**	**(2,975,470)**	**(2,855,950)**
Balance at 01 January 2018 (As previously reported)	**18,532,825**	**2,975,470**	**5,921,678**	**27,429,973**
Adjustment on initial application of the IFRS9, net of tax (note 2)	-	-	1,382,625	1,382,625
Balance at 01 January 2018 (as restated)	**18,532,825**	**2,975,470**	**7,304,303**	**28,812,598**
Total comprehensive income for the year	**-**	**-**	8,676,692	8,676,692
Transfer between reserves	-	4,338,346	(4,338,346)	-
Total contributions by and distributions by owners of company	**-**	**4,338,346**	**(4,338,346)**	**-**
Balance at 31 December 2018	**18,532,825**	**7,313,816**	**11,642,649**	**37,489,290**
Note(s)	11			

The accounting policies and notes on pages 17 - 60 form an integral part of the financial statements.

Statement of Cash Flows

Figures in Ghanaian Cedi	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	23	(31,614,884)	6,580,178
Interest expense		(3,368,788)	(3,063,436)
Tax paid	5	(6,480,039)	(2,975,135)
Net cash from operating activities		**(41,463,711)**	**541,607**
Cash flows from investing activities			
Purchase of property and equipment	9	(898,146)	(1,052,232)
Proceeds from sale of property and equipment	9	82,000	17,000
Purchase of intangible assets	10	(10,520)	(140,383)
Disposals of other intangible assets	10	118,933	-
Net cash from investing activities		**(707,733)**	**(1,175,615)**
Cash flows from financing activities			
Proceeds on share movements	11	-	119,520
Proceeds from related party loan	25	63,795,888	598,120
Repayment of related party loan	25	(1,896,961)	-
Proceeds from loans and borrowings	14	201,216,614	180,060,321
Repayment of loans and borrowings	14	(236,904,957)	(159,477,893)
Net cash from financing activities		**26,210,584**	**21,300,068**
Total cash and cash equivalents movement for the year		**(15,960,860)**	**20,666,060**
Cash and cash equivalents at the beginning of the year		22,531,836	1,865,776
Total cash and cash equivalents at end of the year	4	**6,570,976**	**22,531,836**

The accounting policies and notes on pages 17 - 60 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. 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 in accordance with International Financial Reporting Standards and the Banks and Specialised Deposit - Taking institutions Act, 2016 (Act 930) and the Companies Act, 1963 (Act 179).

The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value, and incorporates the principal accounting policies set out below. All financial statements are presented in Ghanaian Cedis, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the implementation of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts with customers). This is the first set of the company's financial statements in which IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in note 2.

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.

Key sources of estimation uncertainty

Impairment of financial assets

The impaired allowances for financial assets are based on assumptions about risk of default and expected loss rate. 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 input used, refer to the individual notes addressing financial assets.

Fair value estimation

The carrying value less impairment provision of trade receivables, net advances, payables and financial liabilities are assumed to approximate their fair values.

Impairment testing for non financial 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. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Derivative financial instruments

Derivatives, which comprise of 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.

Significant Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 forecast 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.

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.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property and equipment have been assessed as follows and is consistent with prior years:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 years

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

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.

Significant Accounting Policies

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 company; 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.

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	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 equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

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); or
- Fair value through other comprehensive income. (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 achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatory at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Significant Accounting Policies

1.5 Financial instruments (continued)

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

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 7) 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.

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 method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest income calculated using the effective interest method (note 15).

The application of the effective interest method to calculate interest income on an advance is dependent on the credit risk of the advance as follows:
- The effective interest method 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 method 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 method 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 method to the gross carrying amount.

Significant Accounting Policies

1.5 Financial instruments (continued)

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 other operating expenses (note 21).

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 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 installment 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.

Significant Accounting Policies

1.5 Financial instruments (continued)

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.

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 (note 26).

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 derecognition gains (losses) on financial assets at amortised cost (note 26).

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 6).

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.

Significant Accounting Policies

1.5 Financial instruments (continued)

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, less impairment allowances.

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

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest and similar (note 15).

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

- The effective Interest method 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 purchased or originated as credit-impaired, then a credit-adjusted effective Interest method 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 method 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 method to the gross carrying amount.

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 in the exchange differences note (note 20).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other receivables and financial instruments and risk management note (note 6 and 26).

Significant Accounting Policies

1.5 Financial instruments (continued)

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 profit or loss as a movement in credit loss allowance.

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.

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 derecognition gains (losses) on financial assets at amortised cost line item (note 21).

Investments in debt instruments at fair value through profit or loss

Classification

Certain investments in debt instruments are classified as mandatorily at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the company business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The company hold investments in currency forwards (note 12) which are mandatorily at fair value through profit or loss.

The company has designated certain investments in debt instruments as at fair value through profit or loss. The reason for the designation is to reduce or eliminate an accounting mismatch which would occur if the instruments were not classified as such. Refer to note 12 for details.

Recognition and measurement

Investments in debt instruments at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses are included in other operating gains/(losses) (note 21). Details of the valuation policies and processes are presented in note 12.

Interest received on debt instruments at fair value through profit or loss are included in interest income calculated using the effective interest method (note 15).

Significant Accounting Policies

1.5 Financial instruments (continued)

Investments denominated in foreign currencies

When an investment in a debt instrument at fair value through profit or loss is denominated in a foreign currency, the fair value of the investment is determined in the foreign currency. The fair value 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 as part of the fair value adjustment in profit or loss.

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

Impairment

Investments in debt instruments at fair value through profit or loss are not subject to impairment allowances.

Derecognition

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

Borrowings and loans from related parties

Classification

Loans from related parties (note 25) and borrowings (note 14) are classified as financial liabilities subsequently measured at amortised cost.

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 method.

The effective interest 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 method 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 method, 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 method, is included in profit or loss in finance costs (note 16.)

Borrowings expose the company to liquidity risk and Interest method 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 the exchange differences (note 20).

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.

Significant Accounting Policies

1.5 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 13), excluding VAT 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 method.

The effective interest 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 method 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 method, 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 method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 16).

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.

Trade and other payables denominated in foreign currencies

When trade and other 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 as exchange differences (note 20).

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 are stated at amortised cost less impairment allowances.

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 method.

Significant Accounting Policies

1.5 Financial instruments (continued)

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's 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.

1.6 Financial instruments: IAS 39 comparatives

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Significant Accounting Policies

1.6 Financial instruments: IAS 39 comparatives (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities (or portion thereof) are derecognised when the company's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the financial liability, including related unamortised costs, and the amount paid for is included in the statement of comprehensive income.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Significant Accounting Policies

1.6 Financial instruments: IAS 39 comparatives (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the company's trading activities.

Loans to (from) related parties

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. These are subsequently measured at amortised cost.

Loans to related parties are classified as loans and receivables.

Loans from related parties are classified as financial liabilities measured at amortised cost.

Net advances and trade and other receivables

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the net advance or trade and other receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective Interest method computed at initial recognition.

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

Net advances and trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Trade and other payables are classified as financial liabilities measured at amortised cost.

Significant Accounting Policies

1.6 Financial instruments: IAS 39 comparatives (continued)

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 and subsequently recorded at fair value.

Bank overdraft, bank facilities and borrowings

Bank overdraft, bank facilities and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Bank overdraft, bank facilities and borrowings are classified as financial liabilities measured at amortised cost.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial liabilities at fair value through profit or loss - held for trading.

1.7 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.

Significant Accounting Policies

1.7 Tax (continued)

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.

- 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.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Impairment of 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. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill 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 other than goodwill 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.

Significant Accounting Policies

1.9 Impairment of assets (continued)

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

1.10 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 'share capital in equity. Any amount 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 recognized as distributions within equity upon approval by the company's shareholders.

1.11 Employee benefits

Short-term employee benefits

The cost of short term employee benefits, (those payable within 12 months after this 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 this 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 occur.

The expected costs 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.

1.12 Interest

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

When calculating the effective Interest method, 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 method includes all fees and instalments paid or received that are an integral part of the effective Interest method. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

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

Significant Accounting Policies

1.13 Fees and commission income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a service to a customer.

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.

1.14 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. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurements and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the company's financial statements are described below.

The company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 January 2018, the directors reviewed and assessed the company's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 31 December 2017 and 01 January 2018.The result of the assessment is as follows:

			Cumulative additional loss allowance recognised on:
Credit risk attributes at 31 December 2017 and 01 January 2018	**Note**	**Credit risk attributes at 01 January 2017 and 01 January 2018**	**01 January 2018**
Loans and advances	7	The company measures the credit loss allowance for loans and advances at an amount equal to the life time expected credit loss if the credit risk on the financial instrument has increased significantly since initial recognition. If the credit risk has not increase significantly since initial recognition, then the company measures the credit loss at an amount equal to the 12 month expected credit loss.	1,843,501

Notes to the Financial Statements

2. Changes in accounting policy (continued)

The additional loss allowance is charged against the respective asset or provision for financial guarantee, except for the investments at fair value through other comprehensive income, the loss allowance for which is recognised against the reserve in equity.

Reconciliation of the reclassifications and remeasurements of financial assets and liabilities as a result of adopting IFRS9

The following table presents a summary of the financial assets and liabilities as at 01 January 2018. The table reconciles the movement of financial assets and liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVTPL" denotes "fair value through profit or loss".

Financial assets	**IAS 39**	**Amount GH¢**	**IFRS 9**	**Amount GH¢**
Net advances	Amortised cost	179,496,716	Amortised cost	181,340,218
Trade and other receivables	Amortised cost	11,638,591	Amortised cost	11,638,591
Cash and cash equivalent	Amortised cost	21,583,145	Amortised cost	21,583,145
Cash restricted for use	Amortised cost	995,324	Amortised cost	995,324
Financial liabilities				
Loans and borrowings	Amortised cost	176,858,718	Amortised cost	176,858,718
Trade and other payables	Amortised cost	13,873,780	Amortised cost	13,873,780
Loans and related parties	Amortised cost	627,400	Amortised cost	627,400
Current tax payable	Amortised cost	181,167	Amortised cost	181,167
Bank overdraft	Amortised cost	46,633	Amortised cost	46,633

Financial impact of initial application of IFRS 9

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 9 for the current and prior year.

Impact on assets, liabilities and equity as at 01 January 2018

	As previously reported GH¢	**IFRS 9 Adjustments GH¢**	**As restated GH¢**
Deferred tax	2,394,284	(460,875)	1,933,409
Net advances	179,496,717	1,843,501	181,340,218
Retained earnings	(5,921,678)	(1,382,625)	(7,304,303)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The Group used the exemption not to restate the comparitive period. For more information and detail on the changes and implication resulting from the adoption of IFRS 9 refer to table above.

Notes to the Financial Statements

2. Changes in accounting policy (continued)

Application of IFRS 15 Revenue from contracts with customers

IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The company initially applied IFRS 15 on 01 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the company's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirement. (see note 15)

3. New Standards and Interpretations

3.1 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:

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

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

The company has adopted the interpretation for the first time in the 2018 financial statements.

The impact of the interpretation is not material.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

Notes to the Financial Statements

3. New Standards and Interpretations (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

The company has adopted the standard for the first time in the 2018 financial statements.

The implementation has resulted in increased disclosure and adjustments processed. Refer to note 2.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

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

The company has adopted the standard for the first time in the 2018 financial statements.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements. Refer to note 15.

Notes to the Financial Statements

3. New Standards and Interpretations (continued)

3.2 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 2019 or later periods:

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

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

The company has adopted the interpretation for the first time in the 2019 financial statements.

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

IFRS 16 Leases

The company is required to adopt IFRS 16 Leases from 1 January 2019:

- The company has not finalise the estimated impact.
- the new accounting policies are subject to change until the company presents its first financial statements that include the date of initial application.

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

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

Leases in which the company is a lessee

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the company's lease portfolio, the company's assessment of whether it will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Transition

The company plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Figures in Ghanaian Cedi	2018	2017

3. New Standards and Interpretations (continued)

Amendments to IFRS 9 - Financial Instruments

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

The effective date of the amendment is for years beginning on or after 1 January 2019.

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

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

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	411,081	209,371
Bank balances	16,974,388	21,373,774
	17,385,469	**21,583,145**
Cash restricted for use	3,150,000	995,324
Bank overdraft	(13,964,493)	(46,633)
Current assets	20,535,469	22,578,469
Current liabilities	(13,964,493)	(46,633)
	6,570,976	**22,531,836**
Barclays Bank Ghana Limited	13,963,110	-
Standard Chartered Bank Limited	1,383	46,633
	13,964,493	**46,633**

Barclays Bank Ghana Limited

A one year overdraft facility was obtained on 25/04/2018 of GH¢ 15 000 000 with Barclays Bank Ghana Limited for the purpose of meeting working capital requirements.

Standard Chartered Bank Limited

The company had a GH¢ 12 000 000 overdraft facility with Standard Chartered Bank Limited which was not renewed in April 2018.

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

4. Cash and cash equivalents (continued)

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		
AA+	38,028	4,943
AA-	126,347	40,295
A+	831,354	2,052,710
A-	48,653	36,814
BBB+	43,615	13,462
BB+	8,317,863	16,705,778
BB	1,625,471	357,368
B	34,010	33,751
B-	3,615,867	293,814
Unrated	2,293,180	1,834,839
	16,974,388	**21,373,774**

Cash restricted for use

The balances below are classified as cash restricted for use as they are held as collateral due to 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:

Standard Chartered Bank Limited		
For 2018 GH¢ Nil (2017: GH¢995,324) is held against the Standard Chartered Bank Limited overdraft facility. This facility was not renewed in April 2018.	-	995,324
Barclays Bank Ghana Limited		
For 2018 GH¢ 3,150,000 collateral is held against the Barclays Bank Limited facility, which attracts interest at a fixed rate.	3,150,000	-
	3,150,000	**995,324**

Exposure to currency risk

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

5. Tax paid

Balance at beginning of the year	(181,167)	(234,607)
Current tax for the year recognised in profit or loss	(5,541,802)	(2,921,695)
Balance at end of the year	(757,070)	181,167
	(6,480,039)	**(2,975,135)**

6. Trade and other receivables

Non-financial instruments:		
Deferred aquisition cost	15,505,934	9,481,717
Prepayments	3,821,057	2,156,874
Total trade and other receivables	**19,326,991**	**11,638,591**

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

6. Trade and other receivables (continued)

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: *Financial Instruments*:

Non-financial instruments	19,326,991	11,638,591

Exposure to currency risk

Refer to note 26 for details of currency risk management for trade receivables.

7. Net advances

Financial Instruments

Loans and receivables		
Gross loans and advances to customers	297,714,928	195,889,106
Less: Allowance for impairment	(17,889,292)	(16,392,390)
	279,825,636	**179,496,716**

Categorisation of loans and advances to customers

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

At amortised cost	279,825,636	179,496,716

Net advances split by product

Net advances - Payroll (1)		
Advances - Payroll	291,579,524	193,878,001
Allowance for impairment - Payroll	(16,671,828)	(15,990,169)
	274,907,696	**177,887,832**
Net advances - Secured lending (1)		
Advances - Secured lending	6,135,404	2,011,106
Allowance for impairment - Secured lending	(1,217,464)	(402,221)
	4,917,940	**1,608,885**

(1) The net advances balance is currently held by a security trustee as collateral to secured lenders as disclosed in note 14.

Loans and advances to customers past due but not impaired

Izwe Savings and Loans PLC does not have any loans that are passed due but not impaired as at 31 December 2018 (2017: Nil

The ageing of these loans are as follows:

Figures in Ghanaian Cedi	2018	2017

7. Net advances (continued)

	Gross	Impairment	Total
Up to 30 days	243,610,651	(6,140,955)	237,469,696
Over 30 days less than 60 days	23,043,265	(1,625,985)	21,417,280
Over 60 days less than 90 days	8,662,925	(849,159)	7,813,766
Over 90 days less than 180 days	9,887,146	(3,585,154)	6,301,992
Over 180 days less than 9 months	4,522,263	(2,003,053)	2,519,210
Over 9 month less than 12 months	3,942,534	(1,810,072)	2,132,462
Over 12 month less than 18 months	2,386,553	(1,327,449)	1,059,104
Over 18 months	1,659,591	(547,465)	1,112,126
	297,714,928	**(17,889,292)**	**279,825,636**

Key ratios on Net loans and advances		
Impaired loss ratio	6.01 %	8.37 %
Non-performing loan ratio	7.62 %	6.54 %
Ration of fifty largest exposures to total exposure	0.73 %	0.89 %

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for loans and advances to customers which have not been restated. The information is provided in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Credit quality of loans and advances to customers

The credit quality of loans and advances to customers that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Loans and advances to customers past due but not impaired

Izwe Savings and Loans PLC does not have any loans that are passed due but not impaired as at 31 December 2018 (2017: Nil).

Loans and advances to customers impaired

The company considers a loan in arrears for more than 90 days, as past due. A allowance for future impairment losses has been provided on these loans in terms of the company's provisioning policy.

The ageing of these loans is as follows.

2017	Gross	Impairment	Net
Up to 30 days	158,555,296	(2,101,836)	156,453,460
Over 30 days less than 60 days	10,165,976	(1,670,410)	8,495,566
Over 60 days less than 90 days	5,316,430	(1,370,070)	3,946,360
Over 90 days less than 180 days	7,817,909	(2,875,511)	4,942,398
Over 180 days less than 9 months	4,660,987	(2,272,428)	2,388,559
Over 9 months less than 12 months	3,332,950	(1,954,589)	1,378,361
Over 12 months less than 18 months	4,086,676	(2,694,445)	1,392,231
Over 18 months	1,952,882	(1,453,101)	499,781
	195,889,106	**(16,392,390)**	**179,496,716**

Exposure to currency risk

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

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

8. Deferred tax

Deferred tax asset

Deferred tax asset	3,718,013	2,394,284

Reconciliation of deferred tax asset / (liability)

At beginning of year	2,394,284	2,298,663
Adjustment on initial implementation of IFRS 9 (note 2)	(460,875)	-
Property and equipment	(57,321)	(76,254)
Allowance for impairment on loans and advances	1,664,747	122,864
Movement in accruals	7,947	9,848
Repairs and maintenance	169,231	39,163
At year end	**3,718,013**	**2,394,284**

9. Property and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1,660,174	(728,433)	931,741	1,265,623	(507,265)	758,358
Motor vehicles	2,760,095	(1,305,727)	1,454,368	2,555,027	(794,341)	1,760,686
IT equipment	1,190,360	(945,350)	245,010	987,654	(762,435)	225,219
Total	**5,610,629**	**(2,979,510)**	**2,631,119**	**4,808,304**	**(2,064,041)**	**2,744,263**

Reconciliation of property and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	758,358	394,551	-	(221,168)	931,741
Motor vehicles	1,760,686	300,889	(78,149)	(529,058)	1,454,368
IT equipment	225,219	202,706	-	(182,915)	245,010
	2,744,263	**898,146**	**(78,149)**	**(933,141)**	**2,631,119**

Reconciliation of property and equipment - 2017

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

(1) Capital - work in progress consist of IT equipment not yet in use, no borrowing costs have been capitalised.

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

10. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	525,337	(500,166)	25,171	514,817	(468,402)	46,415
Capital - Work in progress	-	-	-	118,933	-	118,933
Total	**525,337**	**(500,166)**	**25,171**	**633,750**	**(468,402)**	**165,348**

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Closing balance
Computer software	46,415	10,520	-	(31,764)	25,171
Capital - Work in progress	118,933	-	(118,933)	-	-
	165,348	**10,520**	**(118,933)**	**(31,764)**	**25,171**

Reconciliation of intangible assets - 2017

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

11. Share capital

Authorised		
10,000,000 Ordinary shares of no par value	10,000,000	10,000,000
5,000,000 Non-culmulative, non-redeemable preference shares of no par value	5,000,000	5,000,000
	15,000,000	**15,000,000**
Reconciliation of number of shares issued:		
Reported as at 1 January	18,532,825	18,413,305
Issue of shares – ordinary shares	-	119,520
Reported as at 31 December	**18,532,825**	**18,532,825**

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.

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

Statutory reserves

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

Figures in Ghanaian Cedi	2018	2017

12. Derivatives

Derivative liabilities		
Forward exchange contracts	291,085	-

Forward exchange contracts

Izwe Savings and Loans PLC mitigates the exposure to currency risk relating to dollar liabilities by entering into foreign exchange contracts.

The quantum in foreign exchange contracts entered into is listed below.

Counterparty	Currency	2018	2017
Barclays Bank Ghana PLC	USD	6,250,000	-

13. Trade and other payables

Financial instruments:		
Other payables	4,061,785	2,745,990
Amounts due to related parties	186,968	831,771
Other accruals	627,773	325,972
Non-financial instruments:		
Payroll accruals	396,574	284,684
Unearned arrangement fee income	21,886,384	9,685,362
	27,159,484	**13,873,779**
Non-current liabilities	-	-
Current liabilities	27,159,484	13,873,780
	27,159,484	**13,873,780**

Categorisation of trade and other payables

At amortised cost	4,876,526	3,903,733
Non-financial instruments	22,282,958	9,970,046
	27,159,484	**13,873,779**

Exposure to currency risk

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

Exposure to liquidity risk

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

Exposure to interest rate risk

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

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

14. Loans and borrowings

Held at amortised cost

Standard Chartered Bank Limited This term loan matured at the end of April 2018 and was not renewed.	-	3,000,000

All of Izwe Savings and Loans PLC notes are listed on the Ghana Fixed Income Market (GFIM). The notes are all denominated in Ghanaian Cedi.

Listed notes - Subordinated The terms on these notes are 5 years to maturity and they bear no security. The issue comprises only variable rate notes	17,664,371	17,583,105
Listed notes - Secured 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¢28,950,982 and GH¢35,900,329 of variable rate notes.	64,851,311	55,201,434
Short term borrowings Izwe Savings and Loans PLC raises short term retail and corporate funding from customers. These have maturities less than 1 year and are unsecured deposits.	98,855,089	101,074,179
	181,370,771	**176,858,718**

Analysis of loans and borrowings		
Opening balance	176,858,718	123,139,948
Additions	201,216,614	180,060,321
Repayments	(236,904,957)	(159,477,893)
Accrued interest	40,200,396	33,136,342
	181,370,771	**176,858,718**

Exposure to currency risk

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

Exposure to interest rate risk

Refer to note 26 Financial instruments and financial risk management for details of interest rate risk management for financial liabilities at fair value.

15. Interest income calculated using the effective interest method

Loans and advances to customers	94,865,186	77,824,555
Interest received from staff loans and bank	1,478,705	318,933
	96,343,891	**78,143,488**

16. Interest and similar expenses

Interest expense on amounts due to related parties (note 26)	(2,566,190)	(19,329)
Interest on loans and borrowings	(42,245,736)	(34,393,889)
Interest expense on bank overdraft	(820,814)	(1,804,343)
	(45,632,740)	**(36,217,561)**

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

17. Net fee and commission income / (expense)

Fee and other income	13,099,733	7,682,648
Commission on loans and advances	(6,091,273)	(4,735,754)
	7,008,460	**2,946,894**

18. Net other operating income

Bad debts recovered	1,898,763	1,363,157

19. Personnel costs

Salaries and wages	7,507,350	5,661,893
Directors fees	69,393	16,000
Leave pay	47,788	56,974
Company contributions (Medical and pension funds)	1,401,714	845,838
	9,026,245	**6,580,705**

20. Exchange differences

Loss on foreign exchange differences	2,027,725	143,452

21. Other operating expenses

Advertising costs	627,662	802,793
Audit fees	239,337	134,938
Bank charges	213,387	178,712
Collection costs	4,105,998	3,240,675
Fixed asset expenses	737,464	685,538
Information technology consulting expenses	1,887,167	1,488,328
Insurance	201,794	160,220
Legal and consulting fees	701,538	409,244
Profit on disposal of property and equipment	(3,852)	(6,762)
Admin and support fees	3,733,286	3,731,391
Other expenses	1,068,053	802,902
Credit Bureau costs	70,109	46,352
Postal and courier	59,506	85,085
Printing and stationery	545,822	353,850
Refreshments	359,277	316,468
Rent and utilities	2,850,615	2,568,129
Repairs and maintenance	549,422	378,436
Social responsibility	14,342	34,079
Staff welfare costs	519,924	228,931
Telephone and data costs	801,533	1,000,292
Travel and accommodation	2,936,420	2,182,037
	22,218,804	**18,821,638**

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

22. Taxation

Major components of the tax expense

Current		
Local income tax - current period	5,541,802	2,921,695
Deferred		
Originating and reversing temporary differences	(1,784,604)	(95,621)
	3,757,198	**2,826,074**

Reconciliation of the tax expense

Reconciliation between accounting profit/loss and tax expense.

Accounting profit	12,433,890	8,777,013
Tax at the applicable tax rate of 25% (2017: 25%)	3,108,473	2,194,253
Tax effect of adjustments on taxable income		
Stabilizing levy	621,695	556,386
Permanent differences	27,030	75,434
	3,757,198	**2,826,073**

23. Cash (used in)/generated from operations

Profit before taxation	12,433,890	8,777,013
Adjustments for:		
Depreciation and amortisation (note 9&10)	964,905	953,629
(Profit) / loss on sale property and equipment	(3,852)	(6,762)
Interest expense	3,368,788	3,063,436
Interest accrual loans and borrowings (note 14)	40,200,396	33,136,342
Interest accrual on related party loan (note 25)	2,063,556	17,783
Exchange differences on related party loan (note 25)	1,954,463	11,497
Changes in working capital:		
Derivatives	291,085	-
Movement on advances	(98,485,418)	(43,959,423)
Trade and other receivables	(7,688,400)	(758,661)
Trade and other payables	13,285,703	5,345,324
	(31,614,884)	**6,580,178**

24. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	2,017,433	1,832,986
- in second to fifth year inclusive	10,958,151	4,997,965
	12,975,584	**6,830,951**

Operating lease payments represent rentals payable by the company for a number of premises. Leases are negotiated for an average term of three years. Notice of cancellation of these leases is up to 3 months as specified in the respective leases. No contingent rent is payable.

The company does not have interest in the residual value of the land and buildings for the premises leased. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

Figures in Ghanaian Cedi	2018	2017

25. Related parties

Relationships	
Ultimate holding company	Izwe Africa Holdings
Holding company	African Micro-Finance Equities (89.1%)
Other shareholders	Abedi Pele Ayew (9.9%)
	Raymond Bismarck (1%)
Fellow subsidiaries	African Micro-Finance Holdings
Directors	David Eugene Fichardt
	Lance Graham Cleaver
	Raymond K. Bismarck
	Abedi Pele Ayew
	Samuel Yeboah
	Angela Akosua Kissiwah Gyasi

Related party balances

Loan accounts - Owing to related parties		
Africa Micro-Finance Holdings (1)	(66,544,346)	(627,400)

Analysis of related parties		
Opening	627,400	-
Additions	63,795,888	598,120
Repayments	(1,896,961)	-
Interest accrued	2,063,556	17,783
Exchange differences	1,954,463	11,497
	66,544,346	**627,400**

(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 financial risk management for details of currency risk management for loans from related parties.

Exposure to liquidity risk

Refer to note 26 Financial instruments and financial risk management for details of liquidity risk exposure and management

Exposure to interest rate risk

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

Amounts included in trade payables regarding related parties		
African Micro-Finance Holdings	(186,968)	(831,772)

Related party transactions

Interest paid to / (received from) related parties		
African Micro-Finance Holdings	2,044,174	(19,329)

Notes to the Financial Statements

Figures in Ghanaian Cedi	2018	2017

25. Related parties (continued)

Compensation to directors and other key management

Director fees	69,393	16,000
Loans to directors and key management	387,474	297,024
Key management emoluments	1,295,256	1,041,948
	1,752,123	**1,354,972**

26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2018

	Notes	Amortised cost	Total
Net advances	7	279,825,636	279,825,636
Trade and other receivables	6	19,326,991	19,326,991
Cash restricted for use	4	3,409,940	3,409,940
Cash and cash equivalents	4	17,125,529	17,125,529
		319,688,096	**319,688,096**

2017

	Notes	Amortised cost	Total
Net advances	7	179,496,716	179,496,716
Trade and other receivables	6	11,638,591	11,638,591
Cash restricted for use	4	995,324	995,324
Cash and cash equivalents	4	21,583,145	21,583,145
		213,713,776	**213,713,776**

Categories of financial liabilities

2018

	Notes	Fair value through profit or loss - Held for trading	Amortised cost	Total
Derivative liability	12	291,085	-	291,085
Trade and other payables	13	-	27,159,482	27,159,482
Loans and borrowings	14	-	181,370,771	181,370,771
Loans from related parties	25	-	66,544,346	66,544,346
Bank overdraft	4	-	13,964,492	13,964,492
		291,085	**289,039,091**	**289,330,176**

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

2017

	Notes	Amortised cost	Total
Trade and other payables	13	13,873,780	13,873,780
Loans and borrowings	14	176,858,718	176,858,718
Loans from related parties	25	627,400	627,400
Bank overdraft	4	46,633	46,633
		191,406,531	**191,406,531**

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 14 and 25, cash and cash equivalents disclosed in note 4 and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the company monitors capital on the basis of using the Bank of Ghana capital adequacy ratio.

The company is required to keep a minimum capital requirement of 10% of its risk weighted assets as defined. During the financial year the company did not breach this minimum requirement.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from previous years.

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.

Tier 1 Capital	**2018**	**2017**
Ordinary Stated Capital/Shares (Note11)	2,119,520	2,119,520
Permanent Non - Cumulative Preference Shares (Note 11)	16,413,305	16,413,305
Retained earnings	11,642,650	5,921,678
Statutory reserves	7,313,816	2,975,470
Shareholder's Funds	**37,489,291**	**27,429,973**

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

Tier 2 Capital		
Subordinated term debt (Note14)	17,664,371	13,714,987
Total Regulatory Capital	55,153,662	41,144,960
Adjusted Risk - weigthed Assets	**344,638,189**	**219,017,671**

Total Regulatory Capital Expressed as a percentage of Total-Risk Weighted Assets is	16.00 %	17.81 %

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 audit and 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 the company's credit policy. The loans and advances to customers have been reduced by the amount Izwe Savings and Loans PLC 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.

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

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.

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:

		2018			2017		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**
Trade and other receivables	6	19,326,991	-	19,326,991	11,638,591	-	11,638,591
Net advances	7	297,714,929	(17,889,292)	279,825,637	195,889,106	(16,392,390)	179,496,716
Cash restricted for use	4	3,409,940	-	3,409,940	995,324	-	995,324
Cash and cash equivalents	4	17,385,469	-	17,385,469	21,583,145	-	21,583,145
		337,837,329	**(17,889,292)**	**319,948,037**	**230,106,166**	**(16,392,390)**	**213,713,776**

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 under IAS 39	-	-	-	16,392,390
IFRS 9 transitional adjustment	-	-	-	(1,843,499)
Revised opening balance under IFRS 9	3,508,076	2,244,916	8,795,898	14,548,891
Originations	3,627,282	1,998,196	1,836,314	7,461,792
Existing book movements	(652,787)	59,135	3,366,407	2,772,755
Settlements in the ordinary course of business	(1,080,471)	(481,076)	(1,363,921)	(2,925,468)
Write offs	(177)	(132,956)	(3,835,545)	(3,968,678)
Closing balance	**5,401,923**	**3,688,215**	**8,799,154**	**17,889,292**

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

Reconciliation of provision for credit loss allowance	2018	2017
Opening balance under IAS 39	16,392,390	12,157,949
IFRS 9 transitional adjustment	(1,843,499)	-
Revised opening balance under IFRS 9	14,548,891	12,157,949
Impairment loss write off	(9,606,404)	(6,725,094)
Movement in allowance for the year recognised in the statement of comprehensive income	12,946,805	10,959,535
	17,889,292	**16,392,390**

Reconciliation of net advances	12 month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets	Total
Up to 30 days	243,610,652	-	-	243,610,652
Over 30 days less than 60 days	-	23,043,265	-	23,043,265
Over 90 days less than 180 days	-	8,662,925	-	8,662,925
Over 180 days less than 9 months	-	-	9,887,146	9,887,146
Over 9 months less than 12 months	-	-	4,522,263	4,522,263
Over 12 months less than 18 months	-	-	3,942,534	3,942,534
Over 18 months	-	-	2,386,553	2,386,553
	-	-	1,659,591	1,659,591
Gross advances	243,610,652	31,706,190	22,398,087	297,714,929
Credit loss allowance	(5,401,923)	(3,688,215)	(8,799,154)	(17,889,292)
Net advances	**238,208,729**	**28,017,975**	**13,598,933**	**279,825,637**

Credit collateral

Izwe Savings and Loans PLC 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 12 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¢ 11,622,400

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 10 repossessed and renegotiated assets by Izwe Savings and Loans PLC (2017: Nil).

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.

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

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

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.

2018

		Less than 1 year	1 to 2 years	2 to 5 years	Total
Current liabilities					
Trade and other payables	13	27,159,482	-	-	27,159,482
Loans from related parties	25	66,544,346	-	-	66,544,346
Loans and borrowings	14	101,370,771	24,000,000	56,000,000	181,370,771
Derivative liability	12	291,085	-	-	291,085
Bank overdraft	4	13,964,493	-	-	13,964,493

2017

		Less than 1 year	1 to 2 years	2 to 5 years	Total
Current liabilities					
Trade and other payables	13	6,999,819	2,609,318	4,264,643	13,873,780
Loans and borrowings	14	123,858,718	-	53,000,000	176,858,718
Bank overdraft	4	46,633	-	-	46,633

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.

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

At 31 December 2018, if the currency had weakened/strengthened by 5% against the US Dollars with all other variable held constant, post-tax profit for the year would have been GH¢ 1,789,074 (2017: GH¢ 10,704) higher /lower, mainly as a result of foreign exchange gains or losses on transition of US Dollar denominated loans and borrowings.

2018	USD (Cedi equivalent)	Cedi	ZAR	Total
Assets				
Net advances	-	279,825,636	-	279,825,636
Cash and cash equivalents	16,170	17,109,359	-	17,125,529
Cash restricted for use	-	3,409,940	-	3,409,940
Trade and other receivables	-	19,326,991	-	19,326,991
Total asset	**16,170**	**319,671,926**	**-**	**319,688,096**

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

				Total
Derivative liability	291,085	-	-	291,085
Loans and borrowings	-	181,370,771	-	181,370,771
Trade and other payables	186,968	26,178,751	793,765	27,159,484
Loans from related parties	66,544,346	-	-	66,544,346
Bank overdraft	-	13,964,493	-	13,964,493
Total liabilities	**67,022,399**	**221,514,013**	**793,765**	**289,394,392**
Net financial position	(67,006,228)	94,947,355	(793,765)	27,147,362

2017	**USD (Cedi equivalent)**	**Cedi**	**ZAR**	**Total**
Assets				
Net advances	-	179,496,716	-	179,496,716
Cash and cash equivalents	159,615	21,423,530	-	21,583,145
Cash restricted for use	995,324	-	-	995,324
Trade and other receivables	-	11,638,591	-	11,638,591
Total assets	**1,154,939**	**212,558,837**	**-**	**213,713,776**
Liabilities				**Total**
Loans and borrowings	-	176,858,718	-	176,858,718
Trade and other payables	831,771	12,929,894	112,115	13,873,780
Loans from related parties	627,400	-	-	627,400
Bank overdraft	-	46,633	-	46,633
Total liabilities	**1,459,171**	**189,835,245**	**112,115**	**191,406,531**
Net financial position	(304,232)	22,723,592	(112,115)	22,307,245

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.Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

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

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

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	
		2018	2017
Variable rate instruments:			
Assets			
Cash and cash equivalents	4	17,189,744	21,583,145
Cash restricted for use	4	-	995,324
		17,189,744	**22,578,469**
Liabilities			
Loans from related parties	25	-	(627,400)
Loans and borrowings	14	(152,419,789)	(154,247,024)
Bank overdraft	4	(13,964,493)	(46,633)
		(166,384,282)	**(154,921,057)**
Net variable rate financial instruments		**(149,194,538)**	**(132,342,588)**
Fixed rate instruments:			
Assets			
Cash restricted for use		3,409,940	-
		3,409,940	**-**
Liabilities			
Loans from related parties	25	(66,544,346)	-
Loans and borrowings	14	(28,950,982)	(19,611,694)
		(95,495,328)	**(19,611,694)**
Net fixed rate financial instruments		**(92,085,388)**	**(19,611,694)**
Variable rate financial assets as a percentage of total interest bearing financial assets		83.45 %	100.00 %
Fixed rate financial assets as a percentage of total interest bearing financial assets		16.55 %	- %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities		63.53 %	88.76 %
Fixed rate financial liabilities as a percentage of total interest bearing financial liabilities		36.47 %	11.24 %

Notes to the Financial Statements

26. Financial instruments and risk management (continued)

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.

	2018	2018	2017	2017
Increase or decrease in variable rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Loans from related parties 1% (2017: 1%)	(665,443)	665,443	(6,274)	6,274
Loans and borrowings 1% (2017: 1%)	(1,813,708)	1,813,708	(1,768,587)	1,768,587
Bank overdraft 1% (2017: 1%)	(140,287)	140,287	(466)	466
Cash and cash equivalents 1% (2017: 1%)	171,897	(171,897)	215,831	(215,831)
Cash restricted for use 1% (2017: 1%)	34,099	(34,099)	9,953	(9,953)
	(2,413,442)	**2,413,442**	**(1,549,543)**	**1,549,543**

Price risk

The company is not exposed to equity securities price risk because there are no investments held by the company and classified in equity instruments.

Fair value estimation

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

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.

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.

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivative liability	-	291,085	-	291,085

Notes to the Financial Statements

27. 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.

28. Contingencies

Contingent liabilities

There were no contingent liabilities or assess at the reporting date and at 31 December 2018.

Litigations and claims

There were no litigation and claims involving the company as at 31 December 2018.

29. 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.

30. Comparative information

The comparative information refers in all cases to the previous audited financial statements for the year ended 31 December 2017.

Value Added Statement

Figures in Ghanaian Cedi	2018	2017
Value Added		
Interest income and other operational income	111,342,387	87,189,292
Direct cost of Services and other costs	(76,039,935)	(59,918,408)
Impairment loss on financial assets	(12,946,805)	(10,959,535)
Total Value Added	**22,355,647**	**16,311,349**
Value Distributed		
To Pay Employees		
Salaries, wages, medical and other benefits	(8,956,852)	(6,564,705)
Directors	(69,393)	(16,000)
	(9,026,245)	**(6,580,705)**
To Pay Government		
Income tax	(3,757,198)	(2,826,074)
	(3,757,198)	**(2,826,074)**
To be retained in the business for expansion and future wealth creation:		
Depreciation, amortisation and impairments	(964,905)	(953,629)
	(964,905)	**(953,629)**
Value retained		
Retained profit	8,676,693	5,950,939
	8,676,693	**5,950,939**