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PRESS RELEASE

PR. No 099/2015

IZWE LOANS LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

IZWE has released its audited Financial Statements for the year ended December 31, 2014 as per the attached.

Issued in Accra, this 31st
day of March, 2015

- **E N D –**

att'd.

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**JEB*

IZWE LOANS LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

TABLE OF CONTENTS

GENERAL INFORMATION

Directors	Lance Graham Cleaver (*Chairman*)	*South African*
	Raymond K. Bismarck (MD, appointed 1 Oct 2013)	*Ghanaian*
	Abedi Pele Ayew	*Ghanaian*
	Fred Ocrah Arkoh	*Ghanaian*
	David Eugene Fichardt	*South African*
	Samuel Yeboah (appointed 20 Aug 2013)	*Ghanaian*
	Sean Roger William Southgate (resigned 30 Sep 2014)	*South African*
Secretary	Trustee Services Limited No. 4 Momotse Avenue Adabraka, Accra Trustee Services Limited	
Registered Office	1st Floor, Maestro Plaza Kotobabi Main Road Pig Farm Accra	
External Auditor	KPMG Chartered Accountants 13 Yiyiwa Drive, P.O. Box 242 Abelenkpe, Accra	
Bankers	Barclays Bank Ghana Limited GCB Bank Limited Prudential Bank Limited Standard Chartered Bank Ghana Limited Energy Bank Ghana Limited First Atlantic Bank Limited	

REPORT OF THE DIRECTORS

The directors in submitting to the shareholders the financial statements of Izwe Loans Limited for the year ended 31 December 2014 report as follows:

Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of the financial statements of Izwe Loans Limited, comprising the statement of financial position at 31 December 2014, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act of 1963 (Act 179) of Ghana and the Non-Bank Financial Institutions Act, 2008 (Act 774).

The directors are also responsible for such internal controls 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 as well as the preparation of supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with applicable financial reporting framework.

Directors' interest in ordinary shares

Abedi Pele Ayew holds 10% of the Company's ordinary shares.

Key management emolument

Key management emolument for the period amounted to GH¢695,379 (2013: GH¢391,805).

Loans to key management

Loans to key management for the period amounted to GH¢286,412 (2013: nil)

Employees

At the end of the year, the total number of employees of the Company was at 104 (2013: 86). The related salaries and wages was GH¢1,759,441 (2013: GH¢940,441).

Property and equipment

The Company acquired property and equipment with a value of GH¢ 232,208 (2013: GH¢ 418,769) during the year. In the opinion of the Directors', the recoverable amounts of the items of property and equipment are worth not less than the amounts at which they are included in the financial statements.

Gifts and donations

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

Other material facts, circumstances and events

The directors are not aware of any material fact, circumstance or events which have occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

REPORT OF THE DIRECTORS (CONT'D)

Prohibited lending or borrowings

There were no prohibited borrowings or lending as defined under the Banking and Financial Institutions Acts of Ghana.

Auditors

In accordance with the provisions of the Articles of Association of the Company the auditors, KPMG, will retire as auditors of the Company at the forthcoming Annual General Meeting and, having expressed their willingness to continue in office, a resolution for their re-appointment and fixing their remuneration will be proposed at the Annual General Meeting.

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 financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and comply with the Companies Act of 1963(Act 179) and the Non-Bank Financial Institutions Act, 2008 (Act 774).

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.

FINANCIAL STATEMENTS AND DIVIDEND

	GH¢
Loss for year ended 31 December 2014 before taxation	(7,335,889)
to which is added a tax asset of	2,108,641
giving a Loss for the period after taxation of	(5,227,248)

NATURE OF BUSINESS

The company's nature of business is to carry on non-banking financial services which includes but is not limited to the provision of micro loans and investment products. There was no change in the nature of business of the company during the year.

APPROVAL OF FINANCIAL STATEMENTS

The financial statement of the company were approved by the board of directors on

31 March, 2015 and were signed on their behalf by:

DIRECTOR	DIRECTOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IZWE LOANS LIMITED

Report on the Financial Statements

We have audited the financial statements of Izwe Loans Limited, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, the changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 44.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Non-Bank Financial Institutions Act, 2008 (Act 774), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 1963 (Act 179) of Ghana and the Non-Bank Financial Institutions Act, 2008 (Act 774).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 and fifth Schedule of the Companies Code, 1963 (Act179) of Ghana and Section 27 of the Non-Bank Financial Institutions Act, 2008 (Act 774).

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IZWE LOANS LIMITED (CONT'D)

In our opinion, proper books of account have been kept and the statement of financial position and the statement of comprehensive income are in agreement with the books of account.

The company's transactions were within its powers, and the company complied with the relevant provisions of the Non-Bank Financial Institutions Act, 2008 (Act 774).

....

Signed by: Nathaniel D. Harlley (ICAG/P/1056)
For and on behalf of:
KPMG (ICAG/F/2014/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P.O. BOX 242
ACCRA, GHANA

31 March ...., **2015**

STATEMENT OF FINANCIAL POSITION

	Note	2014 GH¢	2013 GH¢
Assets			
Cash and balances with banks	11	35,547,162	10,937,399
Financial investment	11 (b)	13,093,537	-
Other assets	12	6,440,474	5,141,200
Loans and advances	13	93,377,405	65,530,817
Deferred tax assets	14 (d)	4,987,518	2,108,373
Property and equipment	15	663,919	653,127
Intangible assets	16	154,280	112,988
Total Assets		154,264,295	84,483,904
Liabilities			
Bank overdraft	11 (a)	1,159,279	169,831
Derivative liabilities	17	3,319,081	-
Current tax liability	14 (b)	384,371	3,183,920
Other liabilities	18	7,056,201	4,425,928
Preference shares	19	-	11,413,305
Borrowings	22	90,073,372	18,606,579
Amounts due to related parties	23	38,145,430	38,743,837
Total Liabilities		140,137,734	76,543,400
Equity			
Stated capital	20 (a)	2,000,000	2,000,000
Preference shares	20 (b)	16,413,305	5,000,000
Retained (deficit)/earnings	20 (c)	(4,286,744)	940,504
Total Equity		14,126,561	7,940,504
Total Liabilities and Equity		154,264,295	84,483,904

DIRECTOR

DIRECTOR

The notes on pages 12 to 44 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 GH¢	2013 GH¢
Interest income	4	40,728,151	27,884,258
Interest expense	5	(18,201,900)	(8,010,524)
		22,526,251	19,873,734
Fees and commission income	6	6,936,424	2,382,773
Fees and commission expense	7	(2,062,525)	(1,558,713)
Total Operating Income		27,400,150	20,697,794
Impairment loss on financial assets	8	(6,956,772)	(3,252,728)
Personnel expenses	9	(1,759,441)	(940,441)
Depreciation	15 (a)	(221,416)	(155,648)
Amortisation	16	(76,185)	(44,903)
Other expenses	10	(25,722,225)	(11,614,384)
Total Operating Expenses		(34,736,039)	(16,008,104)
(Loss)/Profit Before Tax		(7,335,889)	4,689,690
Tax	14 (a)	2,108,641	(1,184,251)
(Loss)/Profit After Tax		(5,227,248)	3,505,439
Other Comprehensive Income		-	-
Total Comprehensive (Loss)/Income for the Year		(5,227,248)	3,505,439

The notes on pages 12 to 44 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Shares GH¢	Preference Shares GH¢	Retained Earnings GH¢	Credit Loss Reserves GH¢	Statutory Reserves GH¢	Total GH¢
2014						
Balance at beginning of period	2,000,000	5,000,000	940,504			7,940,504
Reclassification		11,413,305				11,413,305
Loss for the period			(5,227,248)			(5,227,248)
Balance at 31 December 2014	2,000,000	16,413,305	(4,286,744)	-	-	14,126,561
2013						
Balance at beginning of period	2,000,000	5,000,000	(2,564,935)			4,435,065
Profit for the period	-	-	3,505,439			3,505,439
Balance at 31 December 2013	2,000,000	5,000,000	940,504	-	-	7,940,504

The notes on pages 12 to 44 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	2014 GH¢	2013 GH¢
Operating Activities			
Profit before taxation		(7,335,889)	4,689,690
Adjustments for:			
Depreciation	15 (a)	221,416	155,648
Amortisation	16	76,185	44,903
Operating loss/(profit) before changes in operating assets		(7,038,288)	4,890,241
Change in financial assets	11 (b)	(13,093,537)	-
Change in other assets	12	(1,299,274)	(2,723,228)
Change in loans and advances	13	(27,846,588)	(32,933,167)
Change in derivative liabilities	17	3,319,081	-
Change in other liabilities	18	2,630,273	2,629,588
Change in borrowings	22	71,466,793	13,603,982
Change in amount due to related parties	23	(598,407)	13,986,780
Taxation paid	14	(3,57.0,053)	(87,471)
Net cash flows from/(used) in operating activities		23,970,000	(633,276)
Investing Activities			
Purchase of property and equipment	15	(232,207)	(418,769)
Purchase of intangible assets	16	(117,478)	(88,213)
Net cash flows used in investing activities		(349,685)	(506,982)
Net Increase in Cash and Cash Equivalents		23,620,315	(1,140,257)
Cash and Cash equivalents at beginning of period	11	10,767,568	11,907,825
Cash and Cash Equivalents at 31 December	11	34,387,883	10,767,568

The notes on pages 12 to 44 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Izwe Loans Limited is a limited liability company incorporated in Ghana under the Companies Act 1963, Act 179. The company is domiciled 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. This status accords the company the legal and regulatory mandate to receive and intermediate deposits, as well as disburse loans.

Authorisation for Publication

The financial statements of the company for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 31 March, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments, financial assets and financial liabilities held at fair values through profit or loss, that have been measured at fair value.

The financial statements are presented in Ghana Cedis [GH¢], except when otherwise indicated. The financial statement has also been prepared on a going concern basis.

2.2 Functional and presentation currency

The financial statements are presented in Ghana Cedis [GH¢], which is the functional and presentation currency of the company.

2.3 Foreign currency translations

Transactions in currencies other than Ghana Cedis are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated to Ghana Cedis at the rates prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in Ghana Cedis at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the spot exchange rate at the end of the period. Exchange differences are recognised in the profit or loss in the year in which they arise. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.4 Property and equipment

Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where an item of equipment comprises major components having different useful lives they are accounted for as separate items of equipment. Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "other income" in profit or loss.

Subsequent cost

The cost of replacing part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over its expected useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Item	Average useful life
Office furniture and fixtures	6 years
Motor vehicles	5 years
IT equipment	3 years
IT software	3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

2.5 Software

Software acquired is measured at cost less accumulated amortisation and any accumulated impairment losses.
Expenditure on internally developed software is recognised as an asset to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

(a) Interest income and expense

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

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

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

(b) Commissions and fees

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

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

(c) Dividends

Dividends are recognised in the period in which they are declared. Dividends declared after reporting date are disclosed in the notes to the accounts.

(d) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's statement of financial position.

2.7 Financial Instruments – Initial recognition and subsequent measurement

(a) Date of recognition

Purchases and sale of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date the company commits to purchase or sell the asset.

(b) Initial recognition of financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(c) Available- for- sale assets

Debt securities including investments in money market and equity shares, other than those classified as trading securities or at fair value through profit or loss, are classified as available-for-sale and recognised in the statement of financial position at their fair value.

Available for sale financial assets are measured at fair value on the statement of financial position, with gains and losses arising from changes in the fair value of investments recognised directly in equity, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the company's right to receive payment is established.

(d) Held-to-maturity assets

Held-to-maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates. Financial assets including Government of Ghana Index Linked Bonds that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortised cost using the effective interest method, less impairment losses.

(e) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company chooses to carry the loans and advances at fair value through profit or loss (designation).

(f) Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss. Non-trading liabilities are recorded at amortised cost applying the effective interest method. Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Determination of Fair Value of Financial instruments

i. Availability of active market

The fair value of a financial instrument traded in active markets such as the Ghana Stock Exchange (GSE) at the reporting date is based on their quoted market price without any deduction of transaction costs.

ii. Non-availability of active market

Where market prices are not available, the company establishes a 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 other valuation techniques commonly used by market participants. For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

(h) Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognized when the Company's rights to cash flows has expired; or when the Company has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognized when the obligation is discharged, cancelled or expired.

(i) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a 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 activity.

2.8 Impairment of financial assets

(a) Framework for impairing financial assets

At each reporting date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the fact that the debt is being restructured to reduce the burden on the borrower.

(b) Assets carried at amortised cost

For loans and advances carried at amortised cost, the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collaterals have been utilised or has been transferred to the Company and all the necessary procedures have been completed. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics, such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

(c) Available-for-sale financial assets

For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement) is removed from available for sale reserve and recognised in income statement. Impairment losses on equity investments are not reversed through the same income statement. Increases in fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(d) Renegotiated Loans

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss before an expected restructuring is measured as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i. If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

ii. If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2.9 Provisions

The company recognises provisions when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Contingent liabilities and contingent assets are disclosed in the notes to the financial statements.

2.10 Credit loss reserve

Loans and advances

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a transfer is made from distributable to non-distributable reserves in the statement of changes in equity, being the credit loss reserve. The non-distributable credit loss reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

2.11 Employee benefits

The Company contributes to the defined contribution schemes (the Social Security Fund) on behalf of employees.

Social security contributions

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

2.12 Cash and cash equivalent

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with up to three months' maturity from the date of acquisition, including: cash and non-restricted balances with the Bank of Ghana, treasury bills and other eligible bills, amounts due from banks and short-term government securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Taxation

(a) Income tax

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholders' equity.
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set-off exists.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

(b) Deferred tax

Deferred taxation is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and the legal right to set-off exists.

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 at the balance sheet date.

2.14 Use of estimates and assumptions

In preparation of the financial statements, the company makes estimations and applies judgment that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgment is applied include:

Going concern

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets

The company makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets.

Impairment of non-financial assets

The company assesses at least at each financial year end whether there is any evidence that non financial assets may be impaired. Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of financial instruments

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

i. Groups of homogeneous loans that are not considered individually significant; and groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology uses statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates are regularly benchmarked against actual loss experience.

2.15 Derivative financial instruments

Derivative, which comprise forward foreign exchange contracts and swaps, 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 income statement.

2.16 Debt securities issued and subordinated liability

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the company's shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as finance costs in profit or loss as accrued.

2.18 New Standards and interpretations not yet adopted (Year ending 31 December 2014)

At the date of authorisation of the financial statements of Izwe for the year ended 31 December 2014, the following Standards and Interpretations were in issue but not yet effective and may have an impact on future financial statements:

Standard	Interpretation
IFRS 9 Financial Instruments	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard will have a significant impact on Izwe, which will include changes in the measurement bases of Izwe's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in Izwe. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. Izwe is assessing the potential impact on its financial statements resulting from the application of IFRS 9. Given the nature of Izwe's operations, this standard is expected to have a pervasive impact on the financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 Revenue from Contracts with Customers IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

	IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. Izwe is assessing the potential impact on its financial statements resulting from the application of IFRS 15, therefore the impact is currently unknown.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. Izwe currently has intangible assets and plants that are amortised or depreciated using a revenue-based method. Izwe cannot overcome the rebuttable presumption above for its intangible assets, and consequently will have to change the amortisation and depreciation method for these items. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The amendment is not expected to have any impact on Izwe's financial statements.
Disclosure Initiative (Amendments to IAS 1)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application are permitted. Izwe will not early adopt this amendment and it is not expected to have any impact on Izwe's financial statements. This amendment will not have a significant impact on the company's financial statements.

3. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications

Financial instruments are classified under four recognition principles namely: at fair value through profit and loss, available-for-sale, loans and receivables and amortised cost. These categories of financial instruments have been combined for presentation on the face of the statement of financial position.

The table below sets out the carrying amounts of the company's financial assets and liabilities

	Note	Designated At Fair Value GH¢	Loans and Receivable GH¢	Available for Sale GH¢	Other Amortised Cost GH¢	Total Carrying Amount GH¢
2014						
Assets						
Cash and balances with banks	11	-	35,547,162	-	-	35,547,162
Financial investment	11(b)	-	13,093,537	-	-	13,093,537
Other assets	12	-	6,440,474	-	-	6,440,474
Loans and advances	13	-	93,377,405	-	-	93,377,405
		-	148,458,578	-	-	148,458,578
Liabilities						
Banks overdraft	11 (a)	-	-	-	1,159,279	1,159,279
Derivative liabilities	17	3,319,081	-	-	-	3,319,081
Other liabilities	18	-	-	-	7,056,201	7,056,201
Borrowings	22				90,073,372	90,073,372
Amounts due to related parties	23	-	-	-	38,145,430	38,145,430
		3,319,081	-	-	136,434,282	139,753,363

3. FINANCIAL ASSETS AND LIABILITIES – (CONT'D)

	Note	Designated At Fair Value GH¢	Loans and Receivable GH¢	Available for Sale GH¢	Other Amortised Cost GH¢	Total Carrying Amount GH¢
2013						
Assets						
Cash and balances with banks	11	-	10,937,399	-	-	10,937,399
Other assets	12	-	5,141,200	-	-	5,141,200
Loans and advances	13	-	65,530,817	-	-	65,530,817
		-	81,609,416	-	-	81,609,416
Liabilities						
Banks overdraft	11 (a)	-	-	-	169,831	169,831
Other liabilities	18	-	-	-	4,425,927	4,425,927
Borrowings	22	-	-	-	18,606,579	18,606,579
Amounts due to related parties	23	-	-	-	38,743,837	38,743,837
		-	-	-	61,946,174	61,946,174

4. INTEREST INCOME

	2014 GH¢	2013 GH¢
Interest on loans and advances	40,202,231	27,800,440
Other interest	497,668	56,293
Interest received on staff loans	28,252	27,525
	40,728,151	27,884,258

5. INTEREST EXPENSE

	2014 GH¢	2013 GH¢
African Micro-Finance Holdings	7,352,482	4,858,097
Preference dividends accrued	306,597	509,414
Corporate bond	4,980,482	1,764,689
Fixed term investments	3,631,408	751,771
Bank	1,930,931	126,553
	18,201,900	8,010,524

6. FEES AND COMMISSION INCOME

	2014 GH¢	2013 GH¢
Other fees and commission	6,936,424	2,382,773

7. FEES AND COMMISSION EXPENSE

	2014 GH¢	2013 GH¢
Commissions	2,033,598	1,558,548
Other	28,927	164
	2,062,525	1,558,712

8. IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2014 GH¢	2013 GH¢
General impairments	708,146	398,809
Specific impairments	2,184,450	1,544,533
Amount written off	4,199,308	1,323,414
Amount recovered	(135,132)	(14,028)
	6,956,772	3,252,728

9. PERSONNEL EXPENSES

	2014 GH¢	2013 GH¢
Staff salaries	1,391,194	757,726
Social security cost	218,957	104,346
Leave pay accrual	(2,126)	22,314
Wages	7,139	10,680
Staff training	55,056	15,211
Staff medical expenses	89,221	30,164
	1,759,441	940,441

10. OTHER EXPENSES

	2014 GH¢	2013 GH¢
Administrative expenses	4,804,104	2,632,020
Executive management emoluments	695,379	391,805
Auditor's remuneration	45,000	62,800
Advertising and marketing	656,492	573,327
Bank charges	265,112	247,002
Cleaning expenses	26,278	34,165
Exchange loss	15,818,896	5,051,932
Professional fees	3,722	4,438
Insurance	60,461	36,107
Printing and stationery	185,275	112,351
Refreshment	162,182	144,660
Utilities and Rent	1,030,982	709,895
Repairs and maintenance	270,099	194,461
Telephone expense	424,433	276,532
Travel	1,273,810	1,142,890
	25,722,225	11,614,384

11. CASH AND BALANCES WITH BANKS

	2014 GH¢	2013 GH¢
Balances with banks	35,432,079	10,867,222
Cash in hand	155,083	70,177
Balance at December	35,547,162	10,937,399

(a) Bank Overdraft

	2014 GH¢	2013 GH¢
Bank overdraft	1,159,279	169,831

(b) Financial Investment

The financial investment consist of fixed deposits with banks denominated in United State Dollars, and are due within 12 months and interest is payable on maturity at 4%.

12. OTHER ASSETS

	2014 GH¢	2013 GH¢
Prepayments	1,340,184	1,401,968
Staff loans	421,394	166,452
Deferred cost	4,678,896	3,572,780
Balance at December	6,440,474	5,141,200

13. LOANS AND ADVANCES

	2014 GH¢	2013 GH¢
Gross loans and advances	100,966,419	70,227,234
Impairment allowance	(7,589,014)	(4,696,417)
Balance at 31 December	93,377,405	65,530,817

(a) Movement in impairment loss

	2014 GH¢	2013 GH¢
Balance at the beginning of the period	4,696,418	2,753,076
Charge for the period	6,956,772	3,252,728
Amount written off	(4,199,308)	(1,323,414)
Bad debt recovered	135,132	14,028
Balance at 31 December	7,589,014	4,696,418

(b) Key ratios on loans and advances

	2014	2013
Impairment loss ratio	7.5%	6.7%
Gross non-performing loan ratio	7.2%	9.0%
Ratio of fifty largest exposures to total exposure	0.7%	0.9%

14. TAXATION

(a) Income Tax Expense

	2014 GH¢	2013 GH¢
Deferred Tax	(2,141,694)	(1,361,096)
Deferred Tax – PY adjustments	(737,451)	(727,044)
Current Tax	384,371	2,660,872
Current Tax - PY adjustments	386,133	493,733
National Fiscal Stabilization levy	-	117,786
	(2,108,641)	1,184,251

(b) Taxation Payable

	Balance at 1/1/14 GH¢	Payments during the period GH¢	Charges for the period GH¢	Balance at 31/12/14 GH¢
Income Tax:-	3,183,920	(3,570,053)	770,504	384,371
	3,183,920	(3,570,053)	770,504	384,371

(c) Reconciliation of income tax expense at effective rate and statutory rate

	2014 GH¢	2013 GH¢
Profit / (Loss) before corporate taxation	(7,335,889)	4,689,690
Tax at applicable rate 25%	(1,833,972)	1,172,422
Assessed loss carried forward disallowed	-	-
Temporary differences		
Stabilization Levy		117,786
PY adjustments	(351,318)	(233,311)
Preference dividends	76,649	127,354
Tax per financial statements	(2,108,641)	1,184,251

The tax liabilities are subject to agreement with the internal revenue services.

(d) Deferred Taxation

	2014 GH¢	2013 GH¢
Balance at the beginning of the year	2,108,373	20,233
Charge for the year	2,879,145	2,088,140
Balance at December	4,987,518	2,108,373

(e) Recognised deferred tax asset and liabilities

Deferred tax asset and liabilities are attributable to the following:

	Assets GH¢	Liabilities GH¢	Net GH¢
2013			
Property and Equipment	-	(26,421)	(26,421)
Others	2,134,794	-	2,134,794
Net change	2,134,794	(26,421)	2,108,373
2014			
Property and Equipment	-	(18,135)	(18,135)
Others	5,005,653	-	5,005,653
Net change	5,005,653	(18,135)	4,987,518

15. PROPERTY AND EQUIPMENT

	IT Equipment GH¢	Office Furniture GH¢	Motor Vehicles GH¢	Total GH¢
Cost				
As at 1 January 2013	141,391	170,501	194,924	506,816
Additions	76,221	120,098	222,450	418,769
As at 31 December 2013	217,612	290,599	417,374	925,585
At 1 January 2014	217,612	290,599	417,374	925,585
Additions	59,144	77,864	95,200	232,208
As at 31 December 2014	276,756	368,463	512,574	1,157,793
Depreciation				
At 1 January 2013	52,630	28,857	35,323	116,810
Charge for the period	59,338	36,380	59,930	155,648
As at 31 December 2013	111,968	65,237	95,253	272,458
At 1 January 2014	111,968	65,237	95,253	272,458
Charge for the period	66,968	56,410	98,038	221,416
As at 31 December 2014	178,936	121,647	193,291	493,874
Carrying Amounts				
Balance at 31 December 2013	105,644	225,362	322,121	653,127
Balance at 31 December 2014	97,820	246,816	319,283	663,919

(c) Depreciation

	2014 GH¢	2013 GH¢
Depreciation	221,416	155,648

16. INTANGIBLE ASSETS

	2014	2013
Cost	**GH¢**	**GH¢**
As at 1 January	172,777	84,564
Additions (IT Software)	117,478	88,213
Balance at 31 December	290,255	172,777
Amortisation		
As at 1 January	59,789	14,886
Charge for the period	76,185	44,903
Balance at 31 December	135,974	59,789
Carrying Amounts	154,280	112,988

17. DERIVATIVE LIABILITIES

The Company uses currency forward derivative instruments for hedging purposes. Forward exchange contracts are used to hedge against specifically identified currency risks. The maturity analysis of the fair values of derivative instruments held is set out below.

	2014	2013
	GH¢	**GH¢**
Derivative liabilities	3,319,081	-
	3,319,081	-

18. OTHER LIABILITIES

	2014	2013
	GH¢	**GH¢**
Other creditors	1,631,336	641,500
WHT payable	97,391	450,088
Provisions and accruals	382,226	247,411
Deferred initiation fees	4,945,248	3,086,929
	7,056,201	4,425,928

19. REDEEMABLE CUMULATIVE PREFERENCE SHARES

2013: There are six redeemable cumulative preference shares which carry a coupon rate of 4.35% per annum. If the company cannot pay the cumulative dividends due to insufficient profit, interest accrues (cumulatively) at the required rate of return from the due date up until such time that the dividend is declared and settled. The GH¢11,413,305 redeemable cumulative preference shares were converted and reclassified to perpetual non-cumulative preference shares in August 2014.

20. CAPITAL AND RESERVES

(a) Stated Capital

	2014 No. of shares	2014 GH¢	2013 No. of shares	2013 GH¢
Authorised	10,000,000		10,000,000	
Issued	2,000,000	2,000,000	2,000,000	2,000,000

There is no share in treasury and no call or instalment unpaid on any share.

20. CAPITAL AND RESERVES (CONT'D)

(b) Non-Cumulative Preference Shares

	2014 No. of shares	2014 GH¢	2013 No. of shares	2013 GH¢
Authorised	5,000,006		5,000,000	
Issued – Perpetual non-cumulative	5,000,006	16,413,305	5,000,000	5,000,000
Total Preference Shares		16,413,305		5,000,000

Holder of the perpetual non-cumulative shares receives a non-cumulative discretionary coupon rate of 14.13% per annum.

(c) Retained (Deficit)/Earnings

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

21. EVENTS AFTER THE REPORTING PERIOD

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

22. BORROWINGS

	2014 GH¢	2013 GH¢
More than 1 year	14,575,000	-
Less than 1 year	75,498,372	18,606,579
	90,073,372	18,606,579

	2014 GH¢	2013 GH¢
Corporate bonds	29,843,047	16,323,298
Amount due to banks	18,213,840	-
Fixed term investments	42,016,485	2,283,281
	90,073,372	18,606,579

2014: The corporate bonds are due within 12 months and 36 months respectively and interest is charged between 28.91% and 30.91% per annum and payable every six months. The corporate bonds has been secured with the book value with all note holders as senior lenders.

Amount due to banks consist of Standard Chartered Bank loan of GH¢6,000,000 which has been secured with the book value as a senior lender.

The fixed term investments are due within 12 months and interest is payable on maturity at rates ranging from the 182 day Treasury bill rate plus a premium of 4% - 10%.

23. AMOUNTS DUE TO RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

The company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control.

The ultimate controlling party is Izwe African Holdings, a Company incorporated in Mauritius.

Transactions with key management personnel

The Company has related party relationships with its Directors and entities in which its shareholders have interests. Key management personnel and their immediate relatives have transacted with by the Company during the period as follows:

	2014 GH¢	2013 GH¢
Key management emolument	695,379	391,805
Loans to key management	286,412	-
	981,791	391,805

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. AMOUNTS DUE TO RELATED PARTIES – CONT'D

Balances due to related parties as at year end were as follows:

Amounts due to related companies

	2014 GH¢	2013 GH¢
African Micro-Finance Holdings (Mauritius)	37,220,580	38,018,629
Izwe Administration (Pty) Limited	924,850	725,208
Net balances due	38,145,430	38,743,837

The African Micro-Finance Holdings (Mauritius) loan is denominated in United States Dollars, and for a maximum amount of $20 million. Interest is charged at 17.39% to 31 March 2014 and at 14.13% from 1 April 2014.

Other related party transactions

	2014 GH¢	2013 GH¢
Interest paid to related parties		
African Micro-Finance Holdings (Mauritius)	7,352,482	4,858,097
Preference share dividends accrued		
African Micro-Finance Holdings (Mauritius)	306,597	509,414
Management fees paid to related parties		
Izwe Administration (Pty) Ltd	2,098,252	1,020,362
Exchange loss recognized on loans from related parties		
African Micro-Finance Holdings (Mauritius)	19,396,314	5,651,279
Izwe Administration (Pty) Ltd	18,724	4,832
	19,415,038	5,656,111

24. CONTINGENCIES

(a) Contingent liabilities

There were no contingent liabilities or assets at the reporting date and at 31 December 2014.

(b) Litigations and claims

There were no litigations and claims involving the company as at 31 December 2014.

25. EMPLOYEE BENEFITS

Social Security Contributions

Under a national pension scheme, the company contributes 13% of employee's basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. The company's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

26. LEASE AND CAPITAL COMMITMENTS

The company had no significant commitment for capital expenditure at 31 December 2014.

Lease commitments
Operating lease rentals are payables as follows:

	2014 GH¢	2013 GH¢
Within one year	681,829	598,653
In second to fifth year inclusive	2,687,510	797,443
Total operating lease commitments	3,369,340	1,396,096

Operating lease payments represent rentals, payable by the Company, for certain of its properties. Leases are negotiated for an average term of three years.

27. RISK MANAGEMENT ACTIVITIES

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, as well as the company's management of capital.

(b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The effective management of risk is critical to earnings and balance sheet growth within Izwe Loans Limited where the culture encourages sound commercial decision making which adequately balances risk and reward.

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.

27. RISK MANAGEMENT ACTIVITIES (CONT'D)

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company's approach to risk management is based on an established governance process and relies both on individual responsibility and collective oversight. This approach balances stringent corporate oversight with independent risk management structures within the group.
Naturally, the Company faces a number of risks when conducting its business when it may choose to take, transfer or mitigate as described.

28.
(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, and sector risk).

Management of credit risk

In order to manage this risk, the Board has a defined credit policy for the Company, which is documented and forms the basis of all credit decisions. The Company also makes allowance for impairment against non-performing accounts, where recoverability is doubtful.

The Company only deposits cash with major companies or banks with high quality credit standing and limits exposure to any counter-party. Loans and advances comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal and/or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate in cases of death or disability

Exposure to credit risk

	Note	2014 GH¢	2013 GH¢
Financial assets exposed to credit risk at reporting date were as follows:			
Cash in bank	11	35,432,079	10,867,222
Financial investment	11 (b)	13,093,537	-
Other assets	12	6,440,474	5,141,200
Loans and advances to customers	13	93,377,405	65,530,817
		148,343,495	81,539,239

Loans and advances are measured on initial recognition at fair value, and are subsequently measured at amortised cost using effective interest rate method.

Impairment
Loans and advances which are past due but not impaired amounted to GH¢443,338 (2013: GH¢255,208). Loans and advances under this category arise where contractual interest or principal payments are past due but that the Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Company.

Impaired loans and advances

The ageing of loans and advances at the reporting date was as follows:

27. RISK MANAGEMENT ACTIVITIES (CONT'D)

	Notes	Gross	Impairment	Net
2014				
0 - 30 days		78,638,404	1,477,556	77,160,848
31 - 90 days		9,231,650	870,037	8,361,613
91 - 180 days		5,586,472	1,183,489	4,402,983
Over 180 days		7,509,893	4,057,932	3,451,961
	13	100,966,419	7,589,014	93,377,405
2013				
0 - 30 days		59,971,624	1,288,286	58,683,338
31 - 90 days		3,940,369	509,004	3,431,365
91 - 180 days		2,613,265	701,443	1,911,822
Over 180 days		3,701,976	2,197,684	1,504,292
	13	70,227,234	4,696,417	65,530,817

The Company does not hold any security against these loans.

Impaired loans and advances are loans and advances for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and the Company has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write off policy

The Company writes off a loan balance (and any related allowances for impairment losses) when the Company determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Concentration risk

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

27. RISK MANAGEMENT ACTIVITIES (CONT'D)

(d) *Liquidity risk*

Liquidity risk arises from the mismatch of the timing of cash flows relating to assets and liabilities. The liquidity policy of the company is approved by the Board and monitored daily to ensure that its funding requirements can be met at all times and that a stock of high quality liquid assets is maintained. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration.

Management of liquidity risk

The Company ensures it has sufficient funds on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of expense circumstances that cannot reasonably be predicted such as natural disasters.

Maturity analysis for financial assets and liabilities

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The gross nominal inflow / (outflow) disclosed in the table below represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability.

	Carrying amount	Gross nominal	Less than 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
2014						
Assets						
Cash and bank balances	35,547,162	35,547,162	35,547,162			
Financial investment	13,093,537	13,093,537	13,093,537			
Loans and advances	93,377,405	221,574,291	8,497,969	16,978,402	179,173,171	16,924,749
Liabilities						
Bank overdraft	(1,159,279)	(1,159,279)	(1,159,279)			
Derivative liabilities	(3,319,081)	(3,319,081)	(3,319,081)			
Amounts due to related parties	(38,145,430)	(38,145,430)	(14,882,568)	(18,610,290)	(4,652,572)	
Borrowings	(90,073,372)	(90,073,372)	(61,056,372)	(15,123,000)	(13,894,000)	
Other liabilities	(7,056,201)	(7,056,201)	(7,056,201)			
	2,264,741	**130,461,627**	**(30,334,833)**	**(16,754,888)**	**160,626,599**	**16,924,749**

27. RISK MANAGEMENT ACTIVITIES (CONT'D)

	Carrying amount	Gross nominal	Less than 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
2013						
Assets						
Cash and bank balances	10,767,568	10,767,568	10,767,568			
Loans and advances	65,530,817	169,102,013	50,675,089	42,546,620	75,455,423	424,881
Liabilities						
Bank overdraft						
Amounts due to related parties	(38,743,837)	(38,743,837)	(14,982,194)	(19,009,314)	(4,752,329)	
Borrowings	(18,606,579)	(18,606,579)	(2,938,340)	(15,668,239)		
Preference shares	(11,413,305)	(11,413,305)		(11,413,305)		
Other liabilities	(4,425,928)	(4,425,928)	(4,425,928)			
	3,108,736	**106,679,932**	**39,096,195**	**(3,544,238)**	**70,703,094**	**424,881**

The table above shows the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments vary significantly from this analysis.

(e) ***Market risks***

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. RISK MANAGEMENT ACTIVITIES (CONT'D)

(f) *Interest rate risks*

Exposure to interest rate risk – non-trading portfolios
The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps between the bank base rates and Company onward lending rates. Management monitors the movement in the commercial banks base rates on a quarterly basis and then relates this to the amounts that they expect to pay in interest to the respective commercial banks. This also helps determine the minimum lending rate for the Company which will minimize or avoid interest rate gap losses as well as ensure that the Company has adequate return on funds available for lending. A summary of the Company's interest rate gap position on non-trading portfolios is as follows:

	Carrying Amount	Less than 3 months	3 – 12 months	1 – 5 years
2014				
Assets				
Balances with Banks	35,547,162	35,547,162	-	-
Financial investment	13,093,537	-	13,093,537	-
Loans and advances to customers	93,377,405	5,984,207	4,079,861	83,313,337
	142,018,104	41,531,369	17,173,398	83,313,337
Liabilities				
Bank overdraft	(1,159,279)	(1,159,279)		
Derivative liabilities	(3,319,081)	(3,319,081)		
Amounts due to related companies	(38,145,430)	(924,850)	(13,957,717)	(23,262,862)
Borrowings	(90,073,372)		(76,179,372)	(13,894,000)
	(132,697,162)	(5,403,210)	(90,137,089)	(37,156,862)
Interest rate gap position	9,320,942	36,128,159	(72,963,691)	46,156,475
2013				
Assets				
Balances with Banks	10,767,568	10,767,568		
Loans and advances to customers	65,530,816	119,474	3,088,810	62,322,533
	76,298,385	10,887,042	3,088,810	62,322,533
Liabilities				
Bank overdraft				
Amounts due to related companies	(38,743,837)	(725,208)	(14,256,986)	(23,761,643)
Preference shares	(11,413,305)			(11,413,305)
Borrowings	(18,606,579)		(18,606,579)	
	(68,763,721)	(725,208)	(32,863,564)	(35,174,948)
Interest rate gap position	7,534,664	10,161,834	(29,774,755)	27,147,584

27. RISK MANAGEMENT ACTIVITIES – (CONT'D)

Currency risks

Currency risk is the risk of adverse movements in exchange rates that will result in a decrease in the value of foreign exchange assets or an increase in the value of foreign currency liabilities. This is hedged using forward exchange contracts offered by local banks. A summary of the Company's foreign currency exposure on its financial assets and liabilities in Cedi is as follows:

	ZAR	USD	EURO	POUND	Cedis	Total
2014						
Assets						
Cash and bank balances	-	18,169,148	17,554	36,929	17,323,531	35,547,162
Financial investment	-	13,093,537				13,093,537
Other assets	-				6,440,474	6,440,474
Loans and advances	-				93,377,405	93,377,405
Total assets	-	31,262,685	17,554	36,929	117,141,410	148,458,578
Liabilities						
Bank overdraft					1,159,279	1,159,279
Amounts due to related parties	(924,850)	(37,220,580)				(38,145,430)
Borrowings					(90,073,372)	(90,073,372)
Other liabilities					(7,056,201)	(7,056,201)
Total liabilities	(924,850)	(37,220,580)	-	-	(95,970,294)	(134,115,723)

27. RISK MANAGEMENT ACTIVITIES – (CONT'D)

Currency risks

	ZAR	USD	EURO	POUND	CEDIS	TOTAL
2013						
Assets						
Cash and bank balances	-	4,002,532	14,373	29,071	6,721,593	10,767,569
Other assets	-				5,141,200	5,141,200
Loans and advances	-				65,530,816	65,530,816
Total assets	-	4,002,532	14,373	29,071	77,393,609	81,439,585
Liabilities						
Other liabilities					(4,425,928)	(4,425,928)
Preference shares					(11,413,305)	(11,413,305)
Borrowings					(18,606,579)	(18,606,579)
Amounts due to related parties	(725,208)	(38,018,629)				(38,743,837)
Total liabilities	(725,208)	(38,018,629)	-	-	(34,445,812)	(73,189,649)

27. RISK MANAGEMENT ACTIVITIES – (CONT'D)

(g) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(h) Compliance and regulatory risk

Compliance is an independent core risk management activity, which also has unrestricted access to the managing director and the chairman of the board. The Company is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the Company's compliance risk.

Money laundering control and occupational health and safety (including aspect of environmental risk management) are managed within the compliance function and there are increasingly onerous legislative requirements being imposed in both these areas. The Company has adopted anti-money laundering policies including "Know Your Customer" and "Customer Due Diligence" policies and procedures and adheres to the country's anti-money laundering legislation and the Central Bank of Ghana's regulations and directives.

The management of compliance risk has become a distinct discipline within the Company's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities are undertaken to manage the risk such as identifying the regulatory universe and developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance. The Company has a dedicated Money Laundering Control Officer who consults the country's newly established Financial Intelligence Centre on money laundering and anti-terrorist financing matters.

(i) Capital Management

Capital Definition

The company's capital, ordinarily referred to as shareholders fund comprises ordinary share capital raised through direct investment, retained earnings including current year profit and various reserves the company is statutorily required to maintain. As a non-bank financial institution, the company also has regulatory capital as defined below.

The primary objectives of the company's capital management are to ensure that the company complies with requirement by Bank of Ghana and that the company maintains a strong credit ratings and healthy capital ratios in other to support its business and to maximise shareholders value.

The company manages its capital structure and, makes adjustment to it in the light of changes in the economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend payments to shareholders, or issue additional capital securities.

27. RISK MANAGEMENT ACTIVITIES – (CONT'D)

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 Bank of Ghana. The company has complied with the minimum capital requirement of GH¢7,000,000.

Capital Adequacy

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

		2014	2013
		GH¢	GH¢
Tier 1 Capital	Note		
Ordinary Share Capital	18 (a)	2,000,000	2,000,000
Permanent Non-Cumulative Preference Shares	18 (b)	16,413,305	5,000,000
Retained (deficit)/earnings	18 (c)	(4,286,745)	940,504
Shareholder's Funds		14,126,561	7,940,504
Tier 2 Capital			
Cumulative Redeemable Preference Shares	18 (b)	-	7,940,504
Total Regulatory Capital		14,126,561	15,881,008
Adjusted Risk-weighted Assets		135,165,948	97,779,763
Total Regulatory Capital Expressed as a percentage of Total-Risk Weighted Assets is		10.45%	16.24%

28. COMPARATIVE INFORMATION

The comparative information refers in all cases to the previous audited financial statements for the year ended 31 December 2013.