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PR. No 122/2018

BAYPORT FINANCIAL SERVICES (GHANA) PLC
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

BFS has released its audited Financial Statements for the year ended December 31, 2017 as per the attached.

Issued in Accra, this 29th
day of March, 2018

- **E N D –**

att'd.

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BAYPORT SAVINGS AND LOANS

Financial statements
for the year ended 31 December 2017

General Information

Country of incorporation and domicile	Ghana
Nature of business and principal activities	Provision of Micro-credit and Finance
Directors	Kwame Pianim (Chairman) Kofi Adu-Mensah (Managing Director) Angela Leibel Felicity Acquah Irene Duncan-Adanusa Justin Chola Nana Prah Agyensaim VI Stuart Stone Sandro Rtveladze (Appointed on 4 April 2017) Paul Nathan Silverman (Resigned on 26 June 2017)
Business address	71 Osu Badu Street Airport West Accra
Parent company	Bayport Management Ltd Incorporated in the Republic of Mauritius
Main bankers	Standard Chartered Bank Ghana Limited First Atlantic Bank Limited - Ghana
Auditor	Ernst & Young Chartered Accountants G15, White Avenue P.O. Box KA 16009 Airport, Accra- Ghana
Secretary	Dehands Services Limited 2nd Floor, Opeibea House 37 Liberation Road P.O. Box Ct 9347, Cantonments Accra, Ghana
Company registration number	PL000022016

Index

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

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Code 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 year 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 judgments and estimates.

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

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

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2018 and, in the 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 financial statements set out on pages 10 to 42, which have been prepared on the going concern basis, were approved by the board of directors on 22 MARCH 2018 and were signed on its behalf by:

Director

Director

Directors' Report

The directors submit their report for the year ended 31 December 2017.

1. Incorporation

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

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

2. Merger with CFC Savings and Loans Limited

By way of an Extraordinary General Meeting of shareholders dated 28 October 2016, it was resolved to merge CFC Savings and Loans Limited ("CFC") with the Company. The official merger date was 1 October 2017.

3. Review of activities

Main business and operations

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

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

The Company is engaged:

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

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

Total comprehensive income for the year was GHS 3,901,582 (2016: GHS 15,652,938), after taxation of GHS 1,942,058 (2016: GHS 7,305,606).

4. Authorised and issued share capital

2,749,239,848 ordinary shares were issued during the year ended 31 December 2017. Please refer to note 9.

5. Dividends

No dividends were declared or paid to shareholder during the year.

6. Directors

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

Name	Changes
Kwame Pianim (Chairman)	
Kofi Adu-Mensah (Managing Director)	
Angela Leibel	
Felicity Acquah	
Irene Duncan-Adanusa	
Justin Chola	
Nana Prah Agyensaim VI	
Stuart Stone	
Sandro Rtveladze	Appointed on 4 April 2017
Paul Nathan Silverman	Resigned on 26 June 2017

Directors' Report (continued)

7. Secretary

The secretary of the Company is Dehands Services Limited of:

Business address
2nd Floor, Opeibea House
37 Liberation Road
P O Box CT 9347, Cantonments
Accra, Ghana

8. Parent Company

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

9. Auditor

Ernst & Young were appointed on 5th July 2016 and will continue in office in accordance with section 134(5) of the Companies Code 1963, (Act 179) and the section 20 of the Banking and Specialised Deposit Institutions (Act 930).

10. Early adoption of IFRS 9 Financial Instruments (as revised in 2014)

The Company early adopted IFRS 9 Financial Instruments (as revised in 2014) and related consequential amendments to the other IFRSs, with a date of initial application of 1 January 2017.

In accordance with IFRS 9, comparative information for prior 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 2017. Accordingly, the information presented for 2016 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2016 under IFRS 9.

The impact of adopting IFRS 9 is detailed in notes 26.1 and 32.

11. Comparatives

The 2016 comparatives presented in the financial statments represent Bayport Financial Services Ghana Limited's figure only.

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Airport Accra, Ghana

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAYPORT SAVINGS AND LOANS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bayport Savings And Loans (the Company) set out on pages 8 to 41 which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Bayport Savings and Loans. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Bayport Savings and Loans. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
Impairment assessment of advances to customers As at 31 December 2017, gross advances to customers amounted to GHS 538.8million, representing 94% of total assets; and the impairment allowance for advances to customers amounted to GHS69million as disclosed in note 4 of the financial statements. The assessment of impairment for advances to customers involves significant management judgements and estimates of the losses incurred within the loan portfolios at the reporting date. The Company early adopted IFRS 9. With the introduction of IFRS 9 the IASB sought to address a key concern that arose as a result of the 2008 financial crisis that the incurred loss model in IAS39 contributed to the delayed recognition of credit losses. As such, it has introduced a forward-looking Expected Credit Loss model. The guiding principle of the Expected Credit Loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition and recognition of impairment could be done on a 12-month expected credit losses or Lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that take into account: • The probability-weighted outcome • Reasonable and supportable information that is available without undue cost or effort. The appropriateness of loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Company's Expected Credit Loss includes: • Judgement in determining parameters used in the computation of ECL • Basis of segmentation of the loan for portfolio ECL computation • Determination of a significant increase credit risk and • Determination of associations between macroeconomic scenarios The use of different modelling techniques could produce significantly different estimates of loan loss provisions.	We reviewed the impairment model used by the entity for impairment of the loans & Advances. The model was reviewed to ensure compliance with IFRS 9. We identified and assessed the reasonability of the key sources of complexities, judgement and uncertainties of the company's IFRS 9 impairment model. We validated and tested the impairment model of the company by assessing the data integrity and the internal controls around the model. We reviewed and tested the key judgements and assumptions including determination of significant increase in credit risk in the estimation of the Expected Credit Loss. We reviewed the financial statements disclosures to ensure clarity and comprehensive disclosure of the Expected Credit Loss and IFRS 9 transition
Adequacy of regulatory credit risk provisioning In addition to IFRS impairment rules, Bank of Ghana has specific rules governing regulatory provisions. Unlike IFRS impairment rules however, regulatory provision rules are more deterministic and triggered mainly by the number of days a facility has been in default. The excess of regulatory provision over IFRS impairment allowance is recognised directly in equity as Credit risk reserves. Regulatory credit risk provisions represent a key risk area for the company as misstatements in the carrying amount of this balance could have significant impact on the Company's financial statements including the accuracy of its capital adequacy computations, the amount of reserves that are distributable and other key industry performance indicators.	We assessed the systems and related controls instituted by management to ensure the accurate determination of these provisions. We reviewed the process for aging and categorisation of the various loan buckets and the application of related regulatory provision rates. We tested a sample of these provisions based on our overall risk assessment of this account.

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Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Ghana, Managing Directors Report and the Chairman's Report. The other information does not include the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179) and the 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal requirements

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and
- The balance sheet (statement of financial position) and the profit or loss account (profit or loss section of the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

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

- The accounts give a true and fair view of the statement of affairs of the company and the results of operations for the year under review;
- We were able to obtain all the information and explanation required for the efficient performance of our duties;
- The transactions of the company are generally within the powers of the company;
- The company has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;
- The company has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Ernst & Young

Pamela Des Bordes (ICAG/P/1329)
For and on behalf of Ernst & Young (ICAG/F/2018/126)
Chartered Accountants
Accra, Ghana

Date: 28th March 2018

Statement of Financial Position as at 31 December 2017

Figures in Ghana Cedi	Note(s)	31 December 2017	31 December 2016
Assets			
Cash and bank balances	3	41,020,404	78,927,463
Loans and advances	4	438,845,209	257,858,653
Other receivables	5	13,469,485	10,267,573
Property and equipment	6	13,432,957	6,630,744
Intangible assets	7	12,623,682	4,419,371
Current tax assets	8	1,858,523	-
Deferred tax assets	8	17,577,431	7,727,282
Total Assets		538,827,691	365,831,086
Equity and Liabilities			
Equity			
Share capital	9	29,942,217	10,000,000
Reserves	10&11	11,039,606	29,700,062
Retained earnings		90,516,475	88,441,879
Total Equity		131,498,298	128,141,941
Liabilities			
Bank overdrafts	3	5,535,265	3,980,312
Deposits from customers	12	115,904,421	58,132,755
Trade and other payables	13	28,053,515	7,019,147
Borrowings	15	213,214,205	166,555,570
Finance lease obligation	14	-	363,223
Loans from shareholder	16	44,621,987	-
Current tax liabilities	8	-	1,638,138
Total Liabilities		407,329,393	237,689,145
Total Equity and Liabilities		538,827,691	365,831,086

The responsibilities of the Company's Directors with regard to preparation of the financial statements are set out on page 3. The financial statements set out on pages 10 to 42, were approved by the board of directors on 22 MARCH 2018 and were signed on its behalf by:

Director

Director

Statement of Profit or Loss and Other Comprehensive Income

Figures in Ghana Cedi	Note	31 December 2017	31 December 2016
Interest and other similar income	18	170,344,695	132,538,513
Interest and other similar expense	19	(70,062,914)	(50,548,574)
Net-interest income		**100,281,781**	**81,989,939**
Commission income		2,204,552	1,836,666
Other income	21	12,007,618	9,090,420
Non interest income		**14,212,170**	**10,927,086**
Operating income		**114,493,951**	**92,917,025**
Operating expenses		(92,286,001)	(52,646,416)
Foreign exchange loss		(1,712,056)	(1,793,315)
Pre-provision income		**20,495,894**	**38,477,294**
Impairment of loans and advances	4	(14,652,254)	(15,518,750)
Profit before taxation	20	**5,843,640**	**22,958,544**
Taxation	8	(1,942,058)	(7,305,606)
Profit for the year		**3,901,582**	**15,652,938**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,901,582**	**15,652,938**

The accounting policies on pages 14 to 21 and the notes on pages 22 to 42 form an integral part of the financial statements.

Statement of Changes in Equity

Figures in Ghana Cedi	Share capital	Statutory reserve	Regulatory credit risk reserve	Merger reserve	Total reserves	Retained earnings	Total equity
Balance at 1 January 2016	**10,000,000**	**16,685,285**	**9,344,600**	-	**26,029,885**	**76,459,118**	**112,489,003**
Total comprehensive income for the year	-	-	-	-	-	15,652,938	15,652,938
Transfer to statutory reserve	-	2,347,942	-	-	2,347,942	(2,347,942)	-
Transfer to credit risk reserve	-	-	1,322,235	-	1,322,235	(1,322,235)	-
Total movement for the year	-	2,347,942	1,322,235	-	3,670,177	11,982,761	15,652,938
Balance at 1 January 2017 (as previously reported)	10,000,000	19,033,227	10,666,835	-	29,700,062	88,441,879	128,141,941
Impact of adopting IFRS 9 (note 32)	-	-	-	-	-	(11,518,426)	(11,518,426)
Balance at 1 January 2017 (as restated)	**10,000,000**	**19,033,227**	**10,666,835**	-	**29,700,062**	**76,923,453**	**116,623,515**
Total comprehensive income for the year	-	-	-	-	-	3,901,582	3,901,582
Movement in share capital	19,942,217	-	-	-	-	-	19,942,217
Transfer to statutory reserve	-	975,395	-	-	975,395	(975,395)	-
Transfer from credit risk reserve	-	-	(10,666,835)	-	(10,666,835)	10,666,835	-
Reserve arising on merger	-	-	-	(8,969,016)	(8,969,016)	-	(8,969,016)
Total movement for the year	19,942,217	975,395	(10,666,835)	(8,969,016)	(18,660,456)	13,593,022	14,874,783
Balance at 31 December 2017	**29,942,217**	**20,008,622**	-	**(8,969,016)**	**11,039,606**	**90,516,475**	**131,498,298**
Note(s)	9	10	11	31			

The accounting policies on pages 14 to 21 and the notes on pages 22 to 42 form an integral part of the financial statements.

Statement of Cash Flows

Figures in Ghana Cedi	Note(s)	31 December 2017	31 December 2016
Cash flows from operating activities			
Cash (used in)/generated from operating activities	22	(69,809,880)	44,642,756
Tax paid	8	(5,997,563)	(9,729,608)
Net cash (used in)/generated from operating activities		**(75,807,443)**	**34,913,148**
Cash flows from investing activities			
Purchase of equipment and intangibles	6&7	(10,075,961)	(3,379,998)
Proceeds from sale of equipment and intangibles		183,622	162,888
Net cash inflow upon merger		10,982,533	-
Net cash generated from/(used in) investing activities		**1,090,194**	**(3,217,110)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,570,240
Repayment of borrowings		(29,595,807)	(10,866,666)
Net decrease in loans from shareholder		(6,140,306)	(37,466,190)
Finance lease payments		(363,223)	(377,207)
Proceeds from bond issuance		71,325,860	50,127,220
Net cash generated by financing activities		**35,226,524**	**2,987,397**
Net (decrease)/increase in cash and cash equivalents		**(39,490,725)**	**34,683,435**
Cash and cash equivalents at the beginning of the year		74,947,151	40,060,792
Effect of exchange rate movement on cash balances		28,713	202,924
Total cash and cash equivalents at end of the year	3	**35,485,139**	**74,947,151**

The accounting policies on pages 14 to 21 and the notes on pages 22 to 42 form an integral part of the financial statements.

Significant Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Code 1963 (Act 179). The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Ghana Cedis, which is the functional currency, rounded to the nearest Cedi.

1.1 Significant judgements and sources of estimation uncertainty

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

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

Assets useful lives and residual values

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

Deferred tax assets

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

Impairment of assets

Financial assets are impaired using the approach prescribed in IFRS 9, unless the asset is considered to be credit impaired on initial recognition, in which case those specific requirements as contained in IFRS 9 will be applied. This approach requires for the provision of expected credit losses rather than incurred credit loss as IAS 39 required. The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions (current and forward looking), structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Upon origination of financial assets, impairments measured at 12 month expected credit losses will be provided. Impairments measured at lifetime expected credit losses will be provided on financial assets whose credit risk that has increased significantly since initial recognition. Impairments measured at lifetime expected credit losses will also be provided on financial assets that are credit impaired.

1.2 Property and equipment

The cost of 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 are initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of Investments in joint ventures, the carrying amount of the replaced part is derecognised.

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

Significant Accounting Policies (continued)

1.2 Property and equipment (continued)

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

Item	Average useful life
Furniture and fittings	5 years
Motor vehicles	3 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvements	Over expected lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate with the effect of any changes in estimate acounted on two prospective basis.

The depreciation charge for each period is recognised in profit or loss .

Derecognition of property and equipment

The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reclassified to computer software and are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is recognised on a straight line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis:

Item	Average useful life
Computer software	3 - 7 years

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

Significant Accounting Policies (continued)

1.4 Advances and provisions for impairment

Advances are disclosed net of impairment provisions, which in the opinion of the directors, are required. Specific impairment provisions are made against identified doubtful advances. Portfolio provisions are maintained to cover potential losses, which although not specifically identified, are considered to be present.

Advances, which are deemed uncollectable, are written off against the specific impairment provision.

Both the specific and portfolio provisions raised during the period, less recoveries of advances previously written off, are charged to the statement of profit or loss and other comprehensive income.

The Company reviews the carrying amounts of its advances to determine whether there is any indication that those advances have suffered an impairment loss. Where it is possible to estimate the recoverable amount of an individual advance, the company estimates the recoverable amount on a portfolio basis for a group of similar financial assets.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects the portfolio of advances' original effective interest rate.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising a specific impairment provision, which is recognised as an expense in the statement of profit or loss.

1.5 Financial instruments

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied 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 2017. Accordingly the information presented for 2016 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held; and
- The designation of certain equity instruments not held for trading as at fair value through other comprehensive income.

Classification

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

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

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

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

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customers (if any);
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of time value of money (for example, periodical reset of interest rates).

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

Initial recognition and measurement

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

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

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

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

Subsequent measurement

Amortised cost

Financial assets which are classified as measured at amortised cost, are measured using the effective interest method, less any expected credit losses which are recognised in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the effective interest rate. Origination fees and service fees are both considered to be integral to the effective interest rate. Origination fees are added to the original debt amount and included in the initial measurement of the loan.

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

Derecognition

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

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

Impairment of financial assets

The Company recognises loss allowances for expected credit losses on the following financial assets, as applicable:

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

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

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

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

Significant Accounting Policies (continued)

1.5 Financial instruments (continued)

Trade and other receivables

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

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

Trade and other receivables are classified as amortised cost.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

Offsetting

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Significant Accounting Policies (continued)

1.6 Tax (continued)

Tax expenses

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

Value added tax

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

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

1.7 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.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

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 asset. This liability is not discounted.

1.8 Impairment of non financial assets

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

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

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

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

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

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

1.9 Share capital and equity

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

Ordinary shares are classified as equity.

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

Significant Accounting Policies (continued)

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

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

1.12 Revenue

General policy

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured.

Revenue comprises invoiced sales in respect of the sale of goods, fees for rendering of services to customers, collection of owned book debts and finance charges on loans and suspensive sale credit agreements.

Interest income

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

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

1.13 Borrowing costs

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

Significant Accounting Policies (continued)

1.14 Translation of foreign currencies

Foreign currency transactions

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

1.15 Related parties

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

1.16 Comparatives

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

Notes to the Financial Statements

2. New Standards and Interpretations

In the current year, the Company has applied all of the new and revised Standards as issued by the IASB and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2017.

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

The Company early adopted IFRS 9 Financial Instruments (as revised in 2014) and related consequential amendments to the other IFRSs, with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

In accordance with IFRS 9, comparative information for prior 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 2017. Accordingly, the information presented for 2016 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

The impact of adopting IFRS 9 is detailed in notes 26.1 and 32.

2.2 New and revised Standards and Interpretations with effect to the disclosure to the financial statements

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in the liabilities arising from financing activities, including both and non-cash changes.

2.3 New and revised standards and interpretations with no material effect on the financial statements

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

IAS 7 Statement of Cashflows - Amendments resulting from the disclosure initiative

IAS 12 Income Taxes - Amendments relating to the recognition of deferred tax assets for unrealised losses

2.4 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective on annual period on or after the respective dates as indicated:

IAS 12 Income Taxes - Amendments relating to uncertainty over income tax treatments brought by IFRIC 23 (effective 01 January 2019)

IAS 19 Employee Benefits - amendments regarding plan amendments, curtailment or settlements (effective 1 January 2019)

IAS 23 Borrowing costs - amendments resulting from Annual Improvements 2015-2017 Cycle (borrowing costs eligible for capitalisation) (effective 1 January 2019)

IAS 39 Financial Instruments: Recognition and Measurement - amendments to permit an entity to elect to continue to apply the hedge accounting requirement in IAS 39 for a fair value hedge of the interest rate exposure of a portion of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)

IFRS 4 Insurance contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 01 January 2018)

IFRS 7 Financial Instruments: Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 01 January 2018)

IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 01 January 2018)

IFRS 15 Revenue from Contracts with Customers - Original issue (effective 01 January 2018)

IFRS 15 Revenue from Contracts with Customers - Amendments to defer the effective date to 01 January 2018 (effective 01 January 2018)

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

2. New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers - Clarifications to IFRS 15 (effective 01 January 2018)

IFRS 16 Leases - Original Issue (effective 01 January 2019)

IFRIC 22 Foreign Currency Transactions and Advances Considerations (effective 01 January 2018)

The effect of all other IFRS amendments not yet adopted is not expected to be material.

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

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

3. Cash and cash equivalents

Cash on hand	410,390	1,490,760
Bank balances	40,610,014	77,436,703
Cash and bank balance	41,020,404	78,927,463
Bank overdraft	(5,535,265)	(3,980,312)
As per statement of cash flow	**35,485,139**	**74,947,151**
Current assets	41,020,404	78,927,463
Current liabilities	(5,535,265)	(3,980,312)
Total cash and cash equivalents	**35,485,139**	**74,947,151**

Bank overdraft

As at 31 December 2017, the Company had overdraft facilities of GHS 11.82 million (2016: GHS 8.83 million). An average interest of 28% (2016: 29%) was charged during the year. The bank overdraft is secured over net advances.

4. Loans and advances

Gross advances	507,891,724	287,834,506
Impairment provision	(69,046,515)	(29,975,853)
Net advances	**438,845,209**	**257,858,653**

Impairment provision

At 1 January (pre IFRS 9 adjustment)	29,975,853	26,067,139
IFRS 9 transitional adjustment	17,803,116	-
At 1 January (post IFRS 9 adjustment)	47,778,969	26,067,139
Net impairment recognised in profit or loss	14,652,254	15,389,852
Utilisation of allowance for impairment	(8,610,811)	(11,481,138)
Impairment - additions through merger	15,226,103	-
At 31 December	**69,046,515**	**29,975,853**

Current assets	146,562,813	88,675,197
Non-current assets	292,282,396	169,183,456
Loans and advances	**438,845,209**	**257,858,653**

Note 32 illustrates the impact of IFRS 9 on opening balances.

Loans and advances are provided as security for the bank overdrafts and term loan balances totalling GHS 11.82 million (2016: GHS 8.83 million).

Please refer to note 26.1 for disclosures on credit risks.

5. Other receivables

Current assets

Employee costs in advance	48,968	66,148
Prepayments	10,442,394	6,981,166
Sundry debtors	2,978,123	1,465,851
Amount due to related party (refer to note 25.1)	-	1,754,408
Total trade and other receivables	**13,469,485**	**10,267,573**

The Directors consider that the carrying amount of trade and other receivables approximate their fair value.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

6. Property and equipment

Non-current assets

Cost	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 1 January 2016	1,488,591	3,897,606	2,420,109	1,903,184	3,265,549	12,975,039
Additions	466,190	1,572,011	119,648	995,481	220,668	3,373,998
Disposal	-	(116,979)	-	-	-	(116,979)
At 31 December 2016	1,954,781	5,352,638	2,539,757	2,898,665	3,486,217	16,232,058
Additions	839,865	673,130	1,742,199	1,625,560	2,465,976	7,346,730
Additions through merger	1,567,581	1,026,536	3,503,975	1,776,164	900,859	8,775,115
Disposal	-	(400,307)	-	-	-	(400,307)
At 31 December 2017	**4,362,227**	**6,651,997**	**7,785,931**	**6,300,389**	**6,853,052**	**31,953,596**

Accumulated depreciation	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 1 January 2016	811,301	2,192,826	926,724	1,259,122	1,577,649	6,767,622
Charge for the year	232,591	834,418	458,101	470,381	955,180	2,950,671
Disposal	-	(116,979)	-	-	-	(116,979)
At 31 December 2016	1,043,892	2,910,265	1,384,825	1,729,503	2,532,829	9,601,314
Charge for the year	417,565	1,053,049	723,887	905,347	929,987	4,029,835
Additions through merger	902,097	850,004	1,601,958	1,250,563	576,137	5,180,759
Disposal	-	(291,269)	-	-	-	(291,269)
At 31 December 2017	**2,363,554**	**4,522,049**	**3,710,670**	**3,885,413**	**4,038,953**	**18,520,639**

Carrying value	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 31 December 2017	**1,998,673**	**2,129,948**	**4,075,261**	**2,414,976**	**2,814,099**	**13,432,957**
At 31 December 2016	**910,889**	**2,442,373**	**1,154,932**	**1,169,162**	**953,388**	**6,630,744**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

6. Property and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	-	254,913
Office equipment	-	2,031
	-	**256,944**

7. Intangible assets

Non current assets

Cost	Computer Software	Asset under development	Total
At 1 January 2016	1,141,744	-	1,141,744
Additions	6,000	-	6,000
Transfer from receivables	-	3,993,870	3,993,870
At 31 December 2016	1,147,744	3,993,870	5,141,614
Additions	2,729,231	-	2,729,231
Additions through merger	5,021,790	3,638,060	8,659,850
At 31 December 2017	**8,898,765**	**7,631,930**	**16,530,695**
Accumulated Amortisation			
At 1 January 2016	387,087	-	387,087
Charge for the year	335,156	-	335,156
At 31 December 2016	722,243	-	722,243
Charge for the year	1,036,696	-	1,036,696
Additions through merger	2,148,074	-	2,148,074
At 31 December 2017	**3,907,013**	**-**	**3,907,013**
Carrying value			
At 31 December 2017	**4,991,752**	**7,631,930**	**12,623,682**
At 31 December 2016	**425,501**	**3,993,870**	**4,419,371**

Asset under development represent software still under development. This will be depreciated when the asset is in use.

8. Income taxes

8.1 Income tax recognised in profit or loss

Current tax		
In respect of the current year	2,938,912	6,008,653
In respect of prior year	303,808	-
Total current tax	**3,242,720**	**6,008,653**
National stabilization Levy		
In respect of the current year	292,182	1,147,927
Deferred tax		
In respect of the current year	(754,710)	149,027
In respect of prior year	(838,134)	-
Total deferred tax	**(1,592,844)**	**149,027**
Total income tax expense recognised in the current year	**1,942,058**	**7,305,607**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

8. Income taxes (continued)

8.1 Income tax recognised in profit or loss (continued)

Reconciliation of tax expense		
Profit before taxation	5,843,640	22,958,544
Tax at the effective rate 25% (2016: 25%)	1,460,910	5,739,636
Tax effect of adjustments on taxable income		
Tax effect of expenses that are not deductible in determining taxable profit	723,292	418,043
National Stabilization Levy rate of 5 % (effective 15 July 2013)	292,182	1,147,927
Adjustment in respect of current income tax of previous years	(534,326)	-
Income tax expense recognised in profit or loss	**1,942,058**	**7,305,606**
Effective tax rate	33 %	32 %

8.2 Current tax assets/(liabilities)

Current tax assets	1,858,523	-
Current tax liabilities	-	(1,638,138)
Total	**1,858,523**	**(1,638,138)**

Reconciliation of Current tax assets/(liabilities)		
Balance at the beginning of the year	(1,049,158)	(37,942)
Current tax for the year recognised in profit or loss	(3,242,720)	(6,008,653)
Tax paid	5,202,646	9,373,317
Prior year adjustment effect to tax charged to profit or loss	-	(4,375,880)
Additions through merger	1,034,000	-
At 31 December	**1,944,768**	**(1,049,158)**

Reconciliation of National Stabilization Levy		
At 1 January	(588,980)	202,656
Paid during the year	794,917	356,291
Tax for the year recognised in profit or loss (note 8.1)	(292,182)	(1,147,927)
At 31 December	**(86,245)**	**(588,980)**

Total		
At 31 December	**1,858,523**	**(1,638,138)**

8.3 Deferred tax balances

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

Deferred tax breakdown		
Accelerated capital allowances for tax purposes	315,802	233,320
Impairment provision of advances	17,261,629	7,493,962
	17,577,431	**7,727,282**

Reconciliation of deferred tax asset		
At 1 January (pre IFRS 9 adjustment)	**7,727,282**	**7,876,309**
IFRS 9 transitional adjustment (note 32)	4,450,779	-
At 1 January (post IFRS 9 adjustment)	**12,178,061**	**7,876,309**
Originating temporary differences on tangible fixed assets	82,482	(336,456)
Originating temporary differences on provision for impairment on advances	5,316,888	977,178
Unrealised exchange losses	-	(789,749)
At 31 December	**17,577,431**	**7,727,282**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

9. Share capital

Authorised
20,000,000,000 Ordinary shares

Issued

	Number of shares	Share capital	Total
At 1 January 2016 & 31 December 2016	11,303,000,000	10,000,000	10,000,000
Issue of shares	2,749,239,848	19,942,217	19,942,217
At 31 December 2017	**14,052,239,848**	**29,942,217**	**29,942,217**

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

10. Statutory reserve

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

	2017	2016
As at 1 January	19,033,227	16,685,285
Transfer from income surplus account	975,395	2,347,942
At 31 December	**20,008,622**	**19,033,227**

11. Regulatory credit risk reserve

The account is used to record the excess of impairment as per the Bank of Ghana rules over the impairment based on International Accounting Standard. The excess is transferred from the income surplus to the regulatory credit risk reserve. As at 31 December 2017, the provision recorded was higher than per the Bank of Ghana rules.

	2017	2016
As at 1 January	10,666,835	9,344,600
Transfer (from)/to income surplus account	(10,666,835)	1,322,235
At 31 December	**-**	**10,666,835**

12. Deposits from customers

By maturity

	2017	2016
Within one month	31,919,512	8,570,276
One to three months	14,953,012	11,863,751
Three months to one year	69,031,897	37,698,728
	115,904,421	**58,132,755**

By nature
Retail funding

	2017	2016
Saving accounts	13,222,202	3,345,115
Fixed deposit accounts	102,682,219	54,787,640
	115,904,421	**58,132,755**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi		31 December 2017	31 December 2016

13. Trade and other payables

Current liabilities

	31 December 2017	31 December 2016
Trade payables	4,506,207	1,052,554
Accrued expense	14,053,581	5,692,382
Amount due to related party (refer to note 25.1)	9,493,727	274,211
Total trade and other payables	**28,053,515**	**7,019,147**

Average credit days are between 30-60 days.

14. Finance lease obligation

	31 December 2017	31 December 2016
Minimum lease payments due		
- within one year	-	385,756
	-	385,756
less: future finance charges	-	(22,533)
Present value of minimum lease payments	**-**	**363,223**
Present value of minimum lease payments due		
- within one year	-	363,223

As at 31 December 2017, there were no assets under finance lease.

15. Borrowings

		31 December 2017	31 December 2016
Held at amortised cost			
Bonds	(i)	200,000,000	128,674,140
Term Loans	(ii)	13,214,205	37,881,430
Total borrowings		**213,214,205**	**166,555,570**

(i) Terms of the bond is 3-5 years and interest rates range from 17.33% to 28% per annum (2016: 27% to 29% per annum).

In January 2016, the Company listed a total of GHS 78.55 million Medium-Term Notes on the Ghana Alternative Market (GAX) of the Ghana Stock Exchange. An additional note of GHS 50.1 million was issued in May 2016. In August 2017, GHS 60 million was raised while GHS 11.3 million was received in October 2017. The Note Programme ended with a total bond of GHS 200 million. The issue comprise a fixed rate notes of GHS 179.51 million and GHS 20.49 million floating rate notes.

(ii) Term loans include funding received by the company from local banks and financial institutions.
Terms of the loans vary from 1 year to 3 years and interest rates vary from 20.50% to 26.00% per annum (2016: 25.50% to 33.30% per annum).

	31 December 2017	31 December 2016
Current liabilities		
At amortised cost	91,761,125	37,742,541
Non-current liabilities		
At amortised cost	121,453,080	128,813,029
Total borrowings	**213,214,205**	**166,555,570**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

16. Loans from shareholder

Non-current liabilities

Bayport Management Ltd	44,621,987	-

The loan is unsecured and interest is charged at 12% plus LIBOR per annum. The loan matures in April 2021.

17. Provisions

Current liabilities

Payroll related provisions		
At 1 January	-	1,002,038
Utilised	-	(1,002,038)
At 31 December	**-**	**-**

18. Interest and other similar income

Interest on loans and advances	157,922,156	125,653,070
Loan origination fees	12,422,539	6,885,443
Total interest and other similar income	**170,344,695**	**132,538,513**

19. Interest and other similar expense

Interest on shareholder's loan	1,702,524	715,691
Interest on customer deposits	19,660,814	4,383,666
Interest on bonds	39,245,268	30,985,878
Interest on bank overdraft and borrowings	9,454,308	14,463,339
Total interest and other similar expense	**70,062,914**	**50,548,574**

20. Profit before taxation

Profit before taxation for the year is stated after accounting for the following:

Contractual amounts of operating leases	2,057,145	1,082,541
Profit on sale of property and equipment	(74,584)	(162,888)
Depreciation and amortisation of property and equipment and intangibles	5,066,531	3,285,826
Employee costs	39,450,263	21,162,053
Foreign exchange loss	1,712,056	1,793,315

21. Other income

Bad debts recovered	98,806	232,823
Interest income from CFC Savings and Loans Limited	-	3,735,815
Bank interest and sundry income	11,908,812	5,121,782
Total other income	**12,007,618**	**9,090,420**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

22. Cash (used in)/generated from operations

Profit before taxation	5,843,640	22,958,544
Adjustments for:		
Depreciation and amortisation	5,066,531	3,285,827
Profit on sale of property and equipment	(74,584)	(162,888)
Loss on foreign exchange	1,712,056	1,793,315
Increase in provision for credit impairment	14,652,254	3,908,714
Changes in working capital:		
Increase in gross advances	(118,513,615)	(32,590,252)
Decrease/(increase) in other receivables	9,118,591	(4,455,486)
Increase/(decrease) in trade and other payables	13,288,080	(7,016,052)
(Increase)/decrease in deposit from customers	(902,833)	56,921,034
Cash (used in)/generated from operations	**(69,809,880)**	**44,642,756**

23. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2017

	Opening balance	Financing cash flows	Additions through merger	Currency movements	Other non-cash movements	Closing balance
Bonds	128,674,140	71,325,860	-	-	-	200,000,000
Other borrowings	37,881,430	(29,595,807)	4,800,000	-	128,582	13,214,205
Finance lease obligation	363,223	(363,223)	-	-	-	-
Loans from shareholder	-	(6,140,306)	49,346,077	1,416,216	-	44,621,987
Total liabilities from financing activities	**166,918,793**	**35,226,524**	**54,146,077**	**1,416,216**	**128,582**	**257,836,192**

Reconciliation of liabilities arising from financing activities - 2016

	Opening balance	Financing cash flows	Additions through merger	Currency movements	Closing balance
Bonds	78,546,920	50,127,220	-	-	128,674,140
Other borrowings	47,177,856	(9,296,426)	-	-	37,881,430
Finance lease obligation	740,430	(377,207)	-	-	363,223
Loans from shareholder	36,046,084	(37,466,190)	-	1,420,106	-
Total liabilities from financing activities	**162,511,290**	**2,987,397**	**-**	**1,420,106**	**166,918,793**

24. Commitments

Operating lease commitments - Company as lessee

The Company has entered into commercial leases for premises for its operations. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are, as follows:

Within one year	3,160,220	1,175,691
After one year but not more than five years	2,844,608	1,505,521
More than five years	557,398	318,361
	6,562,226	**2,999,573**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

25. Related parties

Relationships

Bayport Management Ltd	Parent Company
Ghana Mine Workers Union ("GMWU")	Minority shareholder
Actvest (Proprietary) Limited	Fellow subsidiary

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

25.1 Trading transactions

	31 December 2017	31 December 2016
Interest expense		
Interest expense on USD loans from Bayport Management Ltd	1,702,524	715,691
Interest received		
CFC Savings and loans limited (Loans)	-	373,585
CFC Savings and loans limited (Deposit placements)	6,391,063	3,450,411
	6,391,063	**3,823,996**

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

	31 December 2017	31 December 2016
Amount owed to related parties		
Bayport Management Ltd	50,850,887	235,153
Actvest (Proprietary) Limited	3,264,827	39,058
	54,115,714	**274,211**
Loans to related parties		
Ghana Mine Workers Union	-	1,754,406

The amount due from Ghana Mine Workers Union has been repaid and during the year at interest rate ranging from 20%-29% (2016: 20% - 29%)

	31 December 2017	31 December 2016
Deposit placements		
CFC Savings and Loans Limited	-	34,450,411

25.2 Compensation to directors and other key management

	31 December 2017	31 December 2016
Short-term employee benefits	3,997,939	5,324,448
Post-employment benefits	429,206	599,049
Termination benefits	7,848,884	-
	12,276,029	**5,923,497**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

26. Risk management

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

26.1 Credit risk

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

Credit risk management and measurement

The Company is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer's affordability and their ability to repay loans and advances, customer's risk profile, employment status and stability. Terms of the loan provided range from 12 to 60 months. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers' financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are developed internally.

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

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

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

Financial assets subject to risk

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

2017	Loans and advances	Trade and other receivables	Total
Neither past due nor credit impaired	398,169,625	3,027,091	401,196,716
Past due but not credit impaired	71,224,277	-	71,224,277
Credit impaired	38,497,822	-	38,497,822
Impairment allowance	(69,046,515)	-	(69,046,515)
Total financial assets	**438,845,209**	**3,027,091**	**441,872,300**

2016 (comparative information under IAS 39)	Loans and advances	Trade and other receivables	Total
Neither past due nor credit impaired	211,405,742	3,286,408	214,692,150
Past due but not credit impaired	53,906,579	-	53,906,579
Credit impaired	22,657,630	-	22,657,630
Impairment allowance	(29,975,853)	-	(29,975,853)
Total financial assets	**257,994,098**	**3,286,408**	**261,280,506**

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

26. Risk management (continued)

Financial assets that are impaired but not credit impaired

The age of loans and advances that are past due but not credit impaired are as follows:

Past due up to:	
1 month	15,365,808
1-2 months	7,826,192
2-3 months	5,624,779
3-4 months	4,243,104
Older than 4 months	38,164,394
	71,224,277

Valuation of collateral

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

Impairment provision reconciliation

2017	12 month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets	Total
Opening balance under IAS 39	1,071,263	9,285,062	19,619,528	29,975,853
Transition to expected loss model	4,795,280	10,854,008	2,153,827	17,803,115
Revised opening balance under IFRS 9	5,866,543	20,139,070	21,773,355	47,778,968
Originations	5,667,790	1,808,800	2,091,300	9,567,890
Existing book movements	1,232,451	10,774,869	19,489,424	31,496,744
Derecognition settlements in the ordinary course of business	(1,908,889)	(5,421,026)	(3,856,361)	(11,186,276)
Write-offs	-	-	(8,610,811)	(8,610,811)
	10,857,895	**27,301,713**	**30,886,907**	**69,046,515**

26.2 Categories of financial instruments

Financial assets	2017	2016
At amortised cost		
Cash and cash equivalents	41,020,404	78,927,463
Loans and advances	441,861,637	258,061,681
Other receivables	3,027,091	3,286,408
	485,909,132	**340,275,552**

Financial liabilities	2017	2016
At amortised cost		
Bank overdrafts	5,535,265	3,980,312
Deposit from customers	115,904,421	58,132,755
Trade and other payables	27,043,351	6,174,031
Borrowings	213,360,282	166,555,570
Finance lease obligation	-	363,223
Loans from shareholder	44,621,987	-
	406,465,306	**235,205,891**

26. Risk management (continued)

26.3 Financial risk management

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

26.4 Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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

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

31 December 2017

Cash flows from financial liabilities	0 - 3 months	4 - 12 months	1 - 5 years	Total
Bank overdraft	5,535,265	-	-	5,535,265
Deposit from customers	47,607,995	79,582,685	-	127,190,680
Trade and other payables	23,778,562	-	-	23,778,562
Borrowings	4,530,024	133,973,020	175,391,704	313,894,748
Amount due to related parties	3,264,789	-	-	3,264,789
Loans from shareholder	20,552,350	25,995,895	-	46,548,245
	105,268,985	**239,551,600**	**175,391,704**	**520,212,289**

31 December 2016

Cash flows from financial liabilities	36,474,157	119,814,442	168,406,450	324,695,049

26.5 Interest rate risk

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

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

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

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

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

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

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

26. Risk management (continued)

26.5 Interest rate risk (continued)

The table below sets out the impact on current profit after taxation and equity of an incremental 10% parallel fall or rise on all yield curves at the beginning of the current financial year beginning on 01 January 2017.

31 December 2017	Amount	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect of 10% decrease in variable interest rates
Profit after tax	3,901,582	2,972,834	4,830,330
Equity	131,498,298	130,569,550	132,427,046

31 December 2016	Amount	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect of 10% decrease in variable interest rates
Profit after tax	15,652,938	14,501,917	16,803,959
Equity	128,141,941	126,990,920	129,786,395

Assuming no management actions an increase in interest rates a rise would decrease the Company's profit after tax for the year by GHS 928,748 (2016: GHS 1,151,021) and equity by GHS 928,748 (2016: GHS 1,151,021), while a fall would increase profit after tax and equity by the same amounts.

26.6 Capital risk management

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

Figures in Ghana Cedi		31 December 2017	31 December 2016

26. Risk management (continued)

26.6 Capital risk management (continued)

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

Paid-up capital	29,942,217	10,000,000
Disclosed reserves	101,556,081	118,141,941
Tier 1 capital	**131,498,298**	**128,141,941**
Prepayments	(10,442,394)	(6,981,166)
Net Tier 1 Capital	**121,055,904**	**121,160,775**
Total assets	538,827,961	365,831,086
Less:		
Cash in hand (cedis)	(410,390)	(1,018,334)
80% of claims on other banks	(24,801,845)	(33,610,673)
Adjusted total assets	513,615,726	331,202,079
100% of 3 years average annual gross income	98,434,302	81,530,993
Adjusted asset base	**612,050,028**	**412,733,072**
Capital adequacy ratio	19.78 %	29.36 %

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

The gearing ratio at 31 December 2017 and 31 December 2016 respectively were as follows:

Total borrowings			
Finance lease obligation	14	-	363,223
Borrowings	15	213,214,205	166,555,570
Loans from shareholder	16	44,621,987	-
Bank overdraft	3	5,535,265	3,980,312
		263,371,457	**170,899,105**
Less: Cash and bank balances	3	(41,020,404)	(78,927,463)
Net debt		222,351,053	91,971,642
Total equity		131,498,298	128,141,941
Total capital		**353,849,351**	**220,113,583**
Gearing ratio		63 %	42 %

Notes to the Financial Statements (continued)

26. Risk management (continued)

26.7 Foreign exchange risk

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

The Company's currency position is as follows:

31 December 2017	GHS	USD	ZAR	Total
Assets				
Cash and bank balances	40,583,423	436,981	-	41,020,404
Loans and advances	441,861,637	-	-	441,861,637
Other receivables	3,027,091	-	-	3,027,091
Total financial assets	**485,472,151**	**436,981**	**-**	**485,909,132**
Liabilities				
Bank overdraft	5,535,265	-	-	5,535,265
Deposit from customers	115,904,421	-	-	115,904,421
Trade and other payables	17,549,624	9,439,416	54,311	27,043,351
Borrowings	213,360,282	-	-	213,360,282
Loans from shareholder	-	44,621,987	-	44,621,987
Total financial liabilities	**352,349,592**	**54,061,403**	**54,311**	**406,465,306**
Net financial position	**133,122,559**	**(53,624,422)**	**(54,311)**	**79,443,826**

31 December 2016	GHS	USD	ZAR	Total
Total financial assets	339,865,055	410,499	-	340,275,554
Total financial liabilities	(234,931,690)	(235,153)	(39,048)	(235,205,891)
Net financial position	**104,933,365**	**175,346**	**(39,048)**	**105,069,663**

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

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

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

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

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

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

The table below sets out the impact on current earnings of and incremental 10% parallel fall or rise in all foreign currencies at the beginning of the current financial year from 01 January 2017.

Notes to the Financial Statements (continued)

26. Risk management (continued)

26.7 Foreign exchange risk (continued)

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

31 December 2017	Amount	Scenario 1 Effect after 10% appreciation	Scenario 2 Effect after 10% depreciation
Profit after tax	3,901,582	7,927,470	(124,306)
Equity	131,498,298	135,524,186	127,472,410

31 December 2016	Amount	Scenario 1 Effect after 10% appreciation	Scenario 2 Effect after 10% depreciation
Profit after tax	15,652,938	15,647,716	15,663,160
Equity	128,141,941	128,131,729	128,152,163

Assuming no management actions an appreciation in the Cedi would increase profit after tax for the year by GHS 4,025,888 (2016: GHS 10,222) and equity by GHS 4,025,888 (2016: GHS 10,222),while a depreciation would decrease profit after tax and equity by the same amounts

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

27. Contingent liability

There are no contingent liabilities at the end of the reporting period.

28. Capital commitments

There are no capital commitments at the end of the reporting period.

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

29. Fair value measurements

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

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

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

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

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

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.

Fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required).

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

30. Segment reporting

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

The Company has resolved that the necessary information on the revenues from external customers for each Segment is not available and the cost to develop it would be excessive. The Company has also resolved that the cost to develop geographical information would be excessive.

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

Notes to the Financial Statements (continued)

Figures in Ghana Cedi	31 December 2017	31 December 2016

31. Business combinations under common control (merger)

Merger with CFC Savings and Loans Limited

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

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

Assets and liabilities acquired at the date of merger

Assets	
Cash and bank balances	10,982,533
Loans and advances	92,483,097
Other receivables	12,191,920
Current tax assets	1,034,000
Property and equipment	10,106,132
Total assets	**126,797,682**

Assets and liabilities acquired at the date of merger (continued)

Liabilities	
Trade and other payables	7,421,736
Borrowings	4,800,000
Deposits from customers	58,674,499
Shareholders loan	49,346,077
Total liabilities	**120,242,312**

Deferred tax asset recognised on merger	
Deferred tax arising on impairment provision	4,417,829

Merger reserve arising on merger	
Value of merger	19,942,217
Net assets aquired	(10,973,201)
	8,969,016

Notes to the Financial Statements (continued)

Figures in Ghana Cedi

32. IFRS 9 transitional adjustments

The Company early adopted IFRS 9 Financial Instruments (as revised in 2014) and related consequential amendments to the other IFRSs, with a date of initial application of 1 January 2017.

The significant changes as a result are: increase in provisions against advances, increase in deferred tax asset and a resultant decrease in equity.

In accordance with IFRS 9, comparative information for prior 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 2017.

The following balance sheet illustrates the impact of the above-mentioned adjustments.

Assets	Opening balance per IAS 39 1 Jan 2017 GHS	IFRS 9 initial application GHS	Opening balance per IFRS 9 1 Jan 2017 GHS	Changes to categorisation IAS 39	IFRS 9
Cash and cash equivalents	78,927,463	-	78,927,463		
Loans and advances	257,858,653	(15,357,902)	242,500,751	Loans and receivables	Amortised cost
Gross advances	287,834,506	-	287,834,506		
Impairment provision	(29,975,853)	(15,357,902)	(45,333,755)		
Trade abd other receivables	10,267,573	-	10,267,573		
Property and equipment	6,630,744	-	6,630,744		
Intangible assets	4,419,371	-	4,419,371		
Deferred tax assets	7,727,282	3,839,476	11,566,758		
Total assets	**365,831,086**	**(11,518,426)**	**354,312,660**		
Equity and Liabilities					
Equity					
Share capital	10,000,000	-	10,000,000		
Reserves	29,700,062	-	29,700,062		
Retained earnings	88,441,879	(11,518,426)	76,923,453		
Total equity	**128,141,941**	**(11,518,426)**	**116,623,515**		
Liabilities					
Bank overdraft	3,980,312	-	3,980,312		
Deposit from customers	58,132,755	-	58,132,755		
Trade and other payables	7,019,147	-	7,019,147		
Borrowings	166,555,570	-	166,555,570		
Finance lease obligation	363,223	-	363,223		
Current tax liabilities	1,638,138	-	1,638,138		
Total liabilities	**237,689,145**	**-**	**237,689,145**		
Total equity and liabilities	**365,831,086**	**(11,518,426)**	**354,312,660**		

33. Events after the reporting period

At the date of signing the financial statements, the directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statement, which significantly affected the financial position of the company and results of its operatons.