Izwe Savings and Loans PLC
(Registration number PL000162015)
Financial statements
for the year ended 31 December 2019

General Information

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

Contents

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

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Izwe Savings and Loans PLC for the year ended 31 December 2019.

1. Objectives and nature of business

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

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

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

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2019 (Act 992), of Ghana and in accordance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The accounting policies have been applied consistently compared to the prior year, except for the implementation of IFRS 16 (Leases).

The company recorded a profit after tax for the year ended 31 December 2019 of GH¢ 3,480,162, in comparison to the profit after tax of the prior year of GH¢ 8,676,692.

The company's interest income increased by 13% to GH¢ 109,030,365 in the current year from GH¢ 96,343,892 for the year ended 31 December 2018.

3. Authorised and issued stated capital

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

4. Dividends

No dividends were declared or paid to the directors during the year under review (2018: GH¢ Nil).

5. Directors

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

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

Biographical information of director

Age category	**Number of directors**
Up to 40 years	1
41 - 60 years	5

6. Holding company

The company's holding company is African Micro-Finance Equities which is incorporated in Mauritius and holds 89.1% (2018: 89.1%) of the company's equity.

Directors' Report

7. Ultimate holding company

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

8. Events after the reporting period

As at the date of the approval of the financial statements, management was in the process of assessing the impact of COVID-19 on Expected credit loss (ECL) calculations and other aspect of its operations. One of the key elements of the ECL is the consideration of forward looking information, which include the impact of COVID-19. Because of the high uncertainty and unpredictability of this pandemic, management has not been able to reliably estimate the impact of COVID-19 on its ECL model as of 31 December 2019. Other significant events that came to management's attention after the year end but before the financial statements were authorized for approval include the following:

- The Bank of Ghana has reduced the Monetary Policy rate by 150 basis points to 14.5%;
- Loan repayments that are past due for Microfinance Institutions for up to 30days shall be considered as 'current' as in the case for all other SDIs;
- The Bank of Ghana reduced the primary reserve requirement from 10% to 8%.

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

9. Going concern

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

10. Auditors and audit fees

Deloitte & Touche will continue as auditors in accordance with Section 139(5) of the Companies Act, 2019 (Act 992). As at 31 December 2019, the amount payable in respect of audit fees was GH¢ 130,000.

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

11. Secretary

The company secretary is Trustee Services Limited of:

Business address:

No.4 Momotse Avenue
Adabraka
Accra

12. Remuneration Structure

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

Non-executive directors

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

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

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

Directors' Report

Executive director

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

13. Directors' interests in shares

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

14. Directors' interests in contracts

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

15. Role of the Board

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

Directors' performance evaluation

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

Professional development and training

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

Conflicts of interest

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

Board balance and independence

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

16. Property and equipment

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

At 31 December 2019 the company's investment in property and equipment amounted to GH¢ 3,898,188 (2018: GH¢ 2,631,119), of which GH¢ 2,356,107 (2018: GH¢ 898,146) was added in the current year through additions, as disclosed in note 4 of the financial statements.

Directors' Report

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

17. Employees

At the end of the year, the total number of employees of the company was at 253 (2018: 181). The related salaries and wages was GH¢ 9,806,163 (2018: GH¢ 7,507,350).

18. Corporate social responsibility

A total of GH¢ 17,876 (2018: GH¢ 14,342) was spent under the company's social responsibility programme with key focus on education and others.

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

19. Corporate governance

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

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

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

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

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

20. Related party transactions

Related party transactions and balances are disclosed in note 27 to the financial statements. Abedi Pele Ayew and Raymond K. Bismarck both have shares in the company. Other than service contracts, no director had a material interest in any contract to which the company was a party during the year.

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

21. Code of Ethics

Employees

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

Board and waiver to the code ethics

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

Directors' Report

22. Environmental and social responsibility

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

23. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on 26 March 2020 and signed on their behalf by the two directors below. No authority has been given to anyone to amend the financial statements after the date of issue.

Raymond K. Bismarck
Director

Abedi Pele Ayew
Director

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 2019 (Act 992) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

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

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

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

Deloitte.

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Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Izwe Savings and Loans PLC which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Key audit matter	How our audit addressed the key audit matter
Loan Loss Provision	
The Company recognises a loss allowance for expected credit losses on all advances measured at amortised cost. The impaired allowances for financial assets are based on assumptions about risk of default and expected loss rate. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Due to the significant judgement that is applied by management in determining whether an impairment loss has occurred, we considered this a key audit risk. Significant judgement relate to the following matters: - Determining the staging of loans and advances of the Company which includes establishing groups of similar financial assets - Determining the probability of default (PD) and loss given default (LGD), which includes establishing the relative weightings of forward-looking scenarios for each type of loan and the associated Expected Credit Loss (ECL). - Determining criteria for significant increase in credit risk The disclosures relating to impairment of loans and advances to customers, which are included in note 1.5, note 8 and note 29, to these financial statements, are considered important to the users of the financial statements given the level of judgement and estimation involved. Additionally, IFRS 9 disclosures are required in the financial statements.	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss. In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed. In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency, nature of control and risk associated with the control to determine whether the control operated during the year. We performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default and the Loss Given Default. We challenged management's staging of its loans and advances in the ECL module and tested facilities to ensure they have been included in the correct stage. We tested the underlying calibration data behind the determination of the probability of default by agreeing same to underlying supporting documentation. We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We further tested the disclosures to ensure that the required disclosures under IFRS 9 have been appropriately disclosed.

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Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Other Information

The Directors are responsible for the other information. The other information comprises The Directors' Report. The other information does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial Statements

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930); and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of financial statements

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

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

We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Deloitte.

Independent Auditor's Report

To the Shareholders of Izwe Savings and Loans PLC

Report on Other Legal and Regulatory Requirements

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

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

2. In our opinion:

    - proper books of accounts have been kept by the Company, so far as appears from our examination of those books.
    - the information and explanations given to us, is in the manner required by Act 992 and give a true and fair view of the:

        a. statement of financial position of the Company at the end of the financial year, and
        b. statement of profit or loss and other Comprehensive income for the financial year.
        c. the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.

We are independent of the Company, pursuant to section 143 of Act 992.

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

Deloitte & Touche

For and on behalf of Deloitte & Touche (ICAG/F/2020/129)
Chartered Accountants
Plot No. 71, Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

30th March **2020**

Statement of Financial Position as at 31 December 2019

	Notes	2019 GH¢	2018 GH¢
Assets			
Cash and cash equivalents	10	10 419 943	17 385 469
Cash restricted for use	10	13 992 852	3 150 000
Trade and other receivables	9	21 938 206	19 326 991
Net advances	8	298 980 220	279 825 636
Current tax receivable	25	943 032	757 070
Right-of-use assets	5	21 931 414	-
Deferred tax	7	5 012 521	3 718 013
Property and equipment	4	3 898 188	2 631 119
Intangible assets	6	19 110	25 171
Total assets		**377 135 486**	**326 819 469**
Equity and Liabilities			
Equity			
Stated capital	11	18 532 825	18 532 825
Reserves		9 053 778	7 313 816
Retained income		13 382 848	11 642 649
		40 969 451	**37 489 290**
Liabilities			
Bank overdraft	10	22 702 986	13 964 493
Derivative liability	13	16 145	291 085
Trade and other payables	12	30 983 671	27 159 484
Lease liabilities	5	18 830 133	-
Loans and borrowings	14	262 752 841	181 370 771
Loans from related parties	27	880 259	66 544 346
Total Liabilities		**336 166 035**	**289 330 179**
Total Equity and Liabilities		**377 135 486**	**326 819 469**

The financial statements and the notes on pages 14 to 60, were approved by the board of directors on the 26 March 2020 and were signed on their behalf by:

Raymond K. Bismarck
Director

Abedi Pele Ayew
Director

The notes on pages 18 to 60 form an integral part of the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 GH¢	2018 GH¢
Interest and similar income	15	109 030 365	96 343 891
Interest and similar expense	16	(60 369 651)	(45 632 740)
Net interest income		**48 660 714**	**50 711 151**
Fee and commission income		21 046 134	13 099 733
Fee and commission expense		(7 478 107)	(6 091 273)
Net fee and commission income	17	**13 568 027**	**7 008 460**
Other operating income	18	2 563 968	1 898 763
Net operating income	19	**2 563 968**	**1 898 763**
Depreciation - right-of-use assets	5	(1 415 897)	-
Depreciation	4	(1 061 882)	(933 141)
Amortisation	6	(15 761)	(31 764)
Personnel costs	21	(10 954 783)	(9 026 245)
Exchange differences	19	(10 797 212)	(2 027 725)
Impairment loss on loans and advances	29	(8 599 061)	(12 946 722)
Other operating expenses	20	(26 968 412)	(22 218 887)
Total operating expenses		**(59 813 008)**	**(47 184 484)**
Profit before taxation		**4 979 701**	**12 433 890**
Taxation	22	(1 499 540)	(3 757 198)
Profit for the year		**3 480 161**	**8 676 692**
Other comprehensive income		-	-
Total comprehensive income for the year		**3 480 161**	**8 676 692**

The notes on pages 18 to 60 form an integral part of the financial statements.

Statement of Changes in Equity

	Stated capital GH¢	Statutory reserve GH¢	Retained income GH¢	Total equity GH¢
Opening balance as previously reported	18 532 825	2 975 470	5 921 678	27 429 973
Adjustment on initial application of the IFRS 9, net of tax	-	-	1 382 625	1 382 625
Balance at 01 January 2018 as restated	**18 532 825**	**2 975 470**	**7 304 303**	**28 812 598**
Profit for the year	-	-	8 676 692	8 676 692
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**8 676 692**	**8 676 692**
Transfer between reserves	-	4 338 346	(4 338 346)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**4 338 346**	**(4 338 346)**	**-**
Balance at 01 January 2019	**18 532 825**	**7 313 816**	**11 642 649**	**37 489 290**
Profit for the year	-	-	3 480 161	3 480 161
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**3 480 161**	**3 480 161**
Transfer between reserves	-	1 739 962	(1 739 962)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**1 739 962**	**(1 739 962)**	**-**
Balance at 31 December 2019	**18 532 825**	**9 053 778**	**13 382 848**	**40 969 451**
Note	11			

The notes on pages 18 to 60 form an integral part of the financial statements.

Statement of Cash Flows

	Notes	2019 GH¢	2018 GH¢
Cash flows from operating activities			
Cash generated from/(used in) operations	23	14 307 029	(31 614 884)
Interest and similar expenses paid		(6 952 811)	(3 368 788)
Tax paid	25	(2 835 903)	(6 480 039)
Net cash from operating activities		**4 518 315**	**(41 463 711)**
Cash flows from investing activities			
Purchase of property and equipment	4	(2 356 107)	(898 146)
Proceeds from sale of property and equipment	4	14 200	82 000
Purchase of intangible assets	6	(9 700)	(10 520)
Proceeds from sale of intangible assets	6	-	118 933
Net cash from investing activities		**(2 351 607)**	**(707 733)**
Cash flows from financing activities			
Proceeds from related party loans	27	-	63 795 888
Repayment of related party loans	27	(68 933 526)	(1 896 961)
Proceeds from loans and borrowings	14	244 568 599	201 216 614
Repayments of loans and borrowings	14	(177 662 252)	(236 904 957)
Payment on lease liabilities	5	(5 000 696)	-
Net cash from financing activities		**(7 027 875)**	**26 210 584**
Total cash, cash equivalents and bank overdraft movement for the year		**(4 861 167)**	**(15 960 860)**
Cash, cash equivalents and bank overdraft at the beginning of the year		6 570 976	22 531 836
Total cash, cash equivalents and bank overdraft at end of the year	10	**1 709 809**	**6 570 976**

The notes on pages 18 to 60 form an integral part of the financial statements.

Significant Accounting Policies

Reporting entity

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

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period, except for the adoption of IFRS 16 (Leases), refer to note 2.

1.2 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Critical judgments in determining the lease term

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

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

Key sources of estimation uncertainty

Trade and other receivables and net advances

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

The impairment (or loss allowance) for trade receivables and net advances is calculated on a portfolio basis adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. Refer to note 9 for trade and other receivables and note 8 for net advances considerations.

Significant Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Impairment testing

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

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

Residual values and useful lives of assets

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

Derivative financial instruments

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

Impairment of financial assets

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

Taxation

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

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

Significant Accounting Policies

1.3 Property and equipment

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

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

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

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

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

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

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

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

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

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

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

Significant Accounting Policies

1.4 Intangible assets (continued)

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

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

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

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

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

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

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

1.5 Financial instruments

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

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

Financial assets which are debt instruments:

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

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost.

Note 29 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

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

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

Net advances at amortised cost

Classification

Net advances (note 8) are classified as financial assets subsequently measured at amortised cost.

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

Significant Accounting Policies

1.5 Financial instruments (continued)

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

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

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

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

Net advances denominated in foreign currencies

When net advances are denominated in a foreign currency, the carrying amount of the advance is determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating expenses (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the specific net advance note and in the financial instruments and risk management note (note 29).

Impairment

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

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

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

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

Significant increase in credit risk

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

Significant Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

Definition of default

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

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

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

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

An impairment gain or loss is recognised for all advances in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Credit risk

Details of credit risk related to net advances are included in the specific notes and the financial instruments and risk management note (note 29).

Significant Accounting Policies

1.5 Financial instruments (continued)

Derecognition

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

Any gains or losses arising on the derecognition of a net advance is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost (note 20).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 9).

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 15).

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

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

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in exchange differences (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 29).

Significant Accounting Policies

1.5 Financial instruments (continued)

Impairment

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

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

Measurement and recognition of expected credit losses

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

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Write off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 9) and the financial instruments and risk management note (note 29).

Derecognition

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

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note 20).

Non-hedging derivatives

Classification

Non-hedging derivatives are classified as mandatorily at fair value through profit or loss.

The company enters into a variety of derivative financial instruments in order to manage its exposure to foreign exchange risk and cash flow interest rate risk. Derivatives held by the company which are not in designated hedging relationships, include forward exchange contracts and interests rate swaps. (Note 13).

Recognition and measurement

Derivatives are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses are included in other operating gains (losses) (note 20). Details of the valuation policies and processes are presented in note 30.

Derecognition

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

Significant Accounting Policies

1.5 Financial instruments (continued)

Borrowings and loans from related parties

Classification

Loans from related parties (note 27) and borrowings (note 14) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

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

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

Borrowings and loans denominated in foreign currencies

When borrowings and loans are denominated in a foreign currency, the carrying amount of the borrowing and loan is determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in exchange differences (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the specific borrowing and loan notes and in the financial instruments and risk management (note 29).

Derecognition

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

Trade and other payables

Classification

Trade and other payables (note 12), excluding, when applicable, VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Significant Accounting Policies

1.5 Financial instruments (continued)

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in interest and similar expenses paid (note 16).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Cedi equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the exchange differences (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 29).

Derecognition

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

Cash and cash equivalents and cash restricted for use

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

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

Bank overdrafts and bank facilities

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

Derecognition

Financial assets

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

Significant Accounting Policies

1.5 Financial instruments (continued)

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.6 Tax

Current tax assets and liabilities

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

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

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

Deferred tax assets and liabilities

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

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

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

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

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

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

Significant Accounting Policies

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, or
- a business combination.

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

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

1.7 Leases

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

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 20) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

Details of leasing arrangements where the company is a lessee are presented in note 5 Leases (company as lessee).

Significant Accounting Policies

1.7 Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

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

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

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:
- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

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

Right-of-use assets

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

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

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

Significant Accounting Policies

1.7 Leases (continued)

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

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

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

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

1.8 Leases (Comparatives under IAS 17)

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

Operating leases – lessee

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

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

1.9 Impairment of non-financial assets

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

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

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

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

1.10 Share capital and equity

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

Significant Accounting Policies

1.10 Share capital and equity (continued)

Ordinary shares are classified as equity.

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

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

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

1.11 Employee benefits

Short-term employee benefits

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

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

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

Social security contributions

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

1.12 Interest

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

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

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

1.13 Fees and commission income

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

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

1.14 Borrowing costs

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

Significant Accounting Policies

1.15 Translation of foreign currencies

Foreign currency transactions

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

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

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

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

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

Notes to the Financial Statements

2. Change in accounting policy

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

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Therefore there is no impact on retained earnings.

Leases where company is lessee

Leases previously classified as operating leases

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 01 January 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

2. Change in accounting policy (continued)

Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the company measured the carrying amount of the right-of-use asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the company accounts for the right-of-use asset and the lease liability applying IFRS 16 from the date of initial application.

Impact on annual financial statements

On transition to IFRS 16, the company recognised an additional GH¢ 8,137,155 of right-of-use assets and GH¢ 8,137,155 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, company discounted lease payments using its incremental borrowing rate at 01 January 2019. The weighted average rate applied is 23%.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

	01 January 2019 GH¢
Operating lease commitment at 31 December 2018 as previously disclosed	12 975 585
Discounted using the incremental borrowing rate at 01 January 2019	(4 838 430)
Add finance lease liabilities recognised as at 31 December 2018	9 929 042
Less recognition exemption for:	
Short term leases	763 937
Lease liabilities recognised at 01 January 2019	**18 830 134**

Notes to the Financial Statements

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Amendment to IFRS 9 - Prepayment Features with Negative Compensation

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

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

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

The impact of the amendment is not material.

Annual Improvements to IFRS 2015 - 2017 cycle: Amendments to IAS 12 Income Taxes

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

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

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

The impact of the amendment is not material.

IFRIC 23 - Uncertainty over Income Tax Treatments

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

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

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

The impact of the interpretation is not material.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

Notes to the Financial Statements

3. New Standards and Interpretations (continued)

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

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

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

The impact of the standard is set out in note 2 Change in Accounting Policy.

Notes to the Financial Statements

3. New Standards and Interpretations (continued)

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2020 or later periods:

Amendment to IAS 1 - Presentation of annual financial statements and IAS 8 - Accounting policies, changes in accounting estimates and errors

The amendment clarifies and aligns the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

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

The company expects to adopt the amendment for the first time in the 2020 financial statements.

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

4. Property and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Furniture and fixtures	3 074 802	(1 037 818)	2 036 984	1 660 174	(728 433)	931 741
Motor vehicles	3 274 699	(1 751 108)	1 523 591	2 760 095	(1 305 727)	1 454 368
IT equipment	1 468 435	(1 130 822)	337 613	1 190 360	(945 350)	245 010
Total	**7 817 936**	**(3 919 748)**	**3 898 188**	**5 610 629**	**(2 979 510)**	**2 631 119**

Reconciliation of property and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	GH¢	GH¢	GH¢	GH¢	GH¢
Furniture and fixtures	931 741	1 414 628	-	(309 385)	2 036 984
Motor vehicles	1 454 368	663 404	(27 156)	(567 025)	1 523 591
IT equipment	245 010	278 075	-	(185 472)	337 613
	2 631 119	**2 356 107**	**(27 156)**	**(1 061 882)**	**3 898 188**

Reconciliation of disposals	**Cost**	**Accummulated depreciation**	**Carrying value**	**Proceeds**	**Gain / (loss)**
Motor vehicles	148 800	(121 646)	27 154	14 200	12 954

Reconciliation of property and equipment - 2018

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

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

5. Right-of-use assets

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

The company adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Net carrying amounts of right-of-use assets

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

Buildings	21 931 414	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 20), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	1 415 897	-

Reconciliation of lease asset		
Opening balance	-	-
Adoption of IFRS 16	8 720 574	-
New leases entered into in the current year	13 388 131	-
Translation effect of leases denominated in USD	1 238 606	-
Depreciation expense for the year	(1 415 897)	-
Closing balance	**21 931 414**	**-**

Other disclosures

Interest expense on lease liabilities	2 437 099	-
Expenses on short term leases included in operating expenses	763 937	-
	3 201 036	**-**

At 31 December 2019, the company is committed to GH¢ Nil for short-term leases.

Lease liabilities

Reconciliation of lease liability		
Opening balance	-	-
Adoption of IFRS 16	7 088 009	-
New leases entered into in the current year	13 388 131	-
Interest expense for the year	2 437 099	-
Repayments for the year	(5 000 696)	-
Translation effect of leases denominated in USD	917 590	-
Closing balance	**18 830 133**	**-**

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

5. Right-of-use assets (continued)

The maturity analysis of lease liabilities is as follows:

	2019 GH¢	2018 GH¢
Within one year	3 169 356	-
Two to five years	26 642 129	-
More than five years	38 096 728	-
	67 908 213	-
Less finance charges component	(49 078 080)	-
	18 830 133	**-**

Exposure to liquidity risk

Refer to note 29 Financial instruments and risk management for the details of liquidity risk exposure and management for lease liabilities.

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for lease liabilities.

6. Intangible assets

	2019			2018		
	Cost GH¢	Accumulated amortisation GH¢	Carrying value GH¢	Cost GH¢	Accumulated amortisation GH¢	Carrying value GH¢
Computer software	535 037	(515 927)	19 110	525 337	(500 166)	25 171

Reconciliation of intangible assets - 2019

	Opening balance GH¢	Additions GH¢	Amortisation GH¢	Closing balance GH¢
Computer software	25 171	9 700	(15 761)	19 110

Reconciliation of intangible assets - 2018

	Opening balance GH¢	Additions GH¢	Amortisation GH¢	Closing balance GH¢
Computer software	46 415	10 520	(31 764)	25 171

7. Deferred tax

Deferred tax asset

	2019 GH¢	2018 GH¢
Deferred tax asset	5 012 521	3 718 013

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

7. Deferred tax (continued)

Reconciliation of deferred tax asset

	2019 GH¢	2018 GH¢
At beginning of year	3 718 013	2 394 284
Adjustment on initial implementation of IFRS 9	-	(460 875)
At beginning of year (post IFRS 9 adjustment)	-	1 933 409
Property and equipment	(153 864)	(57 321)
Allowance for impairment on loans and advances	-	1 664 747
Under provision in prior years	807 565	-
Provision for bad and doubtful debts	(214 526)	-
Net impact of IFRS 16	383 799	-
Movement in accruals	16 587	7 947
Repairs and maintenance	454 947	-
Pension liability	-	169 231
At year end	**5 012 521**	**3 718 013**

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

8. Net advances

Loans and receivables

	2019 GH¢	2018 GH¢
Gross loans and advances to customers	316 011 410	297 714 928
Less: Allowance for impairment	(17 031 190)	(17 889 292)
	298 980 220	**279 825 636**

Categorisation of loans and advances to customers

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

	2019 GH¢	2018 GH¢
At amortised cost	298 980 220	279 825 636

Net advances split by product

	2019 GH¢	2018 GH¢
Net advances - Payroll (1)		
Advances - Payroll	308 900 226	291 579 524
Allowance for impairment - Payroll	(16 558 082)	(16 671 828)
	292 342 144	**274 907 696**
Net advances - Secured lending (1)		
Advances - Secured lending	7 111 184	6 135 404
Allowance for impairment - Secured lending	(473 108)	(1 217 464)
	6 638 076	**4 917 940**

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

Loans and advances to customers past due but not impaired

The ageing of these loans are as follows:

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

8. Net advances (continued)

2019	**Gross**	**Impairment**	**Net**
Up to 30 days	268 464 646	(6 356 319)	262 108 327
Over 30 days less than 60 days	18 331 154	(1 094 139)	17 237 015
Over 60 days less than 90 days	6 500 907	(572 246)	5 928 661
Over 90 days less than 180 days	9 413 090	(2 777 978)	6 635 112
Over 180 days less than 9 months	5 003 971	(2 237 578)	2 766 393
Over 9 months less than 12 months	4 858 220	(2 325 170)	2 533 050
Over 12 months less than 18 months	2 270 832	(1 256 969)	1 013 863
Over 18 months	1 168 590	(410 791)	757 799
	316 011 410	**(17 031 190)**	**298 980 220**

2018	**Gross**	**Impairment**	**Net**
Up to 30 days	243 610 651	(6 140 955)	237 469 696
Over 30 days less than 60 days	23 043 265	(1 625 985)	21 417 280
Over 60 days less than 90 days	8 662 925	(849 159)	7 813 766
Over 90 days less than 180 days	9 887 146	(3 585 154)	6 301 992
Over 180 days less than 9 months	4 522 263	(2 003 053)	2 519 210
Over 9 months less than 12 months	3 942 534	(1 810 072)	2 132 462
Over 12 months less than 18 months	2 386 553	(1 327 449)	1 059 104
Over 18 months	1 659 591	(547 465)	1 112 126
	297 714 928	**(17 889 292)**	**279 825 636**

Key ratios on net loans and advances	2019	2018
Impaired loss ratio	5.39 %	6.01 %
Non-performing loan ratio	6.69 %	7.62 %
Ration of fifty largest exposure to total exposure	0.67 %	0.73 %

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for net advances.

Exposure to credit risk

Refer to note 29 Financial instruments and risk management for details of credit risk management for net advances.

9. Trade and other receivables

Financial instruments:

	2019	2018
Non-financial instruments:		
Deferred acquisition cost	19 027 179	15 505 934
Prepayments	2 911 027	3 821 057
Total trade and other receivables	**21 938 206**	**19 326 991**

Categorisation of trade and other receivables

	2019	2018
Non-financial instruments	21 938 206	19 326 991

Exposure to credit risk

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

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

9. Trade and other receivables (continued)

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for trade and other receivables.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 GH¢	2018 GH¢
Cash on hand	496 968	411 081
Bank balances	9 922 975	16 974 388
	10 419 943	**17 385 469**
Cash restricted for use	13 992 852	3 150 000
Bank overdraft	(22 702 986)	(13 964 493)
Absa Bank Ghana Limited	22 702 986	13 963 110
Standard Chartered Bank Limited	-	1 383
	22 702 986	**13 964 493**
Current assets	24 412 795	20 535 469
Current liabilities	(22 702 986)	(13 964 493)
	1 709 809	**6 570 976**

Absa Bank Ghana Limited

A one year overdraft facility was obtained on 25/04/2019 of GH¢ 30,000,000 with Absa Bank Ghana Limited for the purpose of meeting working capital requirements.

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

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

Credit rating	2019 GH¢	2018 GH¢
AA+	1 957 297	38 028
AA-	251 020	126 347
A+	756 677	831 354
A-	5 294 627	48 653
BBB+	419 527	43 615
BB+	59 578	8 317 863
BB	-	1 625 471
B	379 068	34 010
B-	948 607	3 615 867
Unrated	353 542	2 704 261
	10 419 943	**17 385 469**

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

10. Cash and cash equivalents (continued)

Cash restricted for use

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

	2019 GH¢	2018 GH¢
Absa Bank Ghana Limited		
For 2019 GH¢ 6,300,000 (2018: GH¢ 3,150,000) collateral is held against the Absa Bank Ghana Limited facility, which attracts interest at a fixed rate.	6 300 000	3 150 000
Africa Micro-Finance Holdings		
For 02 October 2019 $ 1,250,000 collateral is held against the Africa Micro- Finance Holdings, which attracts interest at a 3 month USD LIBOR plus 7.5% repayable quarterly.	7 142 250	-

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for cash and cash equivalents.

Exposure to interest rate risk

Refer to note 29 Financial instruments and risk management for details of interest rate risk management for cash and cash equivalents.

Exposure to credit risk

Refer to note 29 Financial instruments and risk management for details of credit risk exposure and management.

Exposure to liquidity risk

Refer to note 29 Financial instruments and risk management for details of liquidity risk exposure and management for bank overdraft balances.

11. Stated capital

	2019 GH¢	2018 GH¢
Authorised		
10 000 000 Ordinary shares of no par value	10 000 000	10 000 000
5 000 000 Non-cumulative, non-redeemable preference shares of no par value	5 000 000	5 000 000
	15 000 000	**15 000 000**

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

	2019 GH¢	2018 GH¢
Issued		
2 020 000 Ordinary shares of no par value	2 119 520	2 119 520
5 000 000 Non-cumulative, non-redeemable preference shares of no par value	16 413 305	16 413 305
	18 532 825	**18 532 825**

All issued shares are fully paid.

Statutory reserve

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

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

11. Stated capital (continued)

Retained income

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

12. Trade and other payables

	2019 GH¢	2018 GH¢
Financial instruments:		
Other payables	3 383 788	4 138 280
Amounts due to related parties	1 105 524	186 968
Other accruals	360 513	551 278
Non-financial instruments:		
Unearned arrangement fee income	25 311 565	21 886 384
Payroll accruals	822 281	396 574
	30 983 671	**27 159 484**

Categorisation of trade and other payables

	2019 GH¢	2018 GH¢
At amortised cost	4 849 825	4 876 526
Non-financial instruments	26 133 846	22 282 958
	30 983 671	**27 159 484**

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for trade and other payables.

Exposure to liquidity risk

Refer to note 29 Financial instruments and risk management for details of liquidity risk exposure and management.

13. Derivatives

	2019 GH¢	2018 GH¢
Derivative liabilities		
Forward exchange contracts	16 145	291 085

Forward exchange contracts

The company mitigates the exposure to currency risk relating to Dollar liabilities by entering into foreign exchange contracts.

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

Counterparty	Currency	2019	2018
Absa Bank Ghana PLC	USD	1 000 000	6 250 000

Refer to note 30 Fair value information for details of valuation policies and processes.

Refer to note 29 Financial instruments and risk management further details.

Notes to the Financial Statements

14. Loans and borrowings

	2019 GH¢	2018 GH¢
Held at amortised cost		
Short term borrowings	99 709 980	98 855 089
The company raises short term retail and corporate funding from customers. These have maturities less than 1 year and are unsecured deposits.		
Listed notes - Subordinated	17 700 629	17 664 371
The terms on these notes are 5 years to maturity and they bear no security. The issue comprises only variable rate notes.		
Listed Corporate Notes	64 991 856	64 851 311
The terms on these notes range from 3 to 5 years to maturity. The senior secured notes are secured over the loan book. The issue comprises fixed rate notes of GH¢ 28,950,982 and GH¢ 35,900,329 of variable rate notes.		
Sanlam Life Insurance Limited	28 576 495	-
The Sanlam Africa Credit Investments Limited loan of $5,000,000 was obtained on 24 May 2019. The loan is dominated in US Dollars, bears interest at 3 month USD LIBOR plus 7.5% repayable quarterly. The loan is Senior Secured over the net loan book.		
African Local Currency Bond Fund Limited	41 653 333	-
The African Local Currency Bond Fund Limited loan of GH¢ 40,000,000 was obtained on 01 April 2019. The loan bears interest at a fixed rate of 24% and repayable on 30 April 2020. The loan is Senior Secured over the net loan book.		
Fidelity Bank Ghana Limited	10 120 548	-
The Fidelity Bank Ghana Limited term loan of GH¢ 18,000,000 was obtained on 10 June 2019. The loan bears interest at a fixed rate of 20% repayable quarterly. The loan is Senior Secured over the net loan book.		
	262 752 841	**181 370 771**

Analysis of loans and borrowings

	2019 GH¢	2018 GH¢
Opening balance	181 370 771	176 858 718
Additions	244 568 599	201 216 614
Repayments	(177 662 252)	(236 904 957)
Accrued interest	14 475 723	40 200 396
	262 752 841	**181 370 771**

Exposure to liquidity risk

Refer to note 29 Financial instruments and risk management for details of liquidity risk exposure and management.

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for loans and borrowings.

Exposure to interest rate risk

Refer to note 29 Financial instruments and risk management for details of interest rate risk management for loans and borrowings.

Notes to the Financial Statements

	2019 GH¢	2018 GH¢
15. Interest and similar income		
Loans and advances to customers	107 452 676	94 865 186
Interest received from staff loans and bank	1 577 689	1 478 705
	109 030 365	**96 343 891**
16. Interest and similar expenses		
Interest expense on amounts due to related parties	8 241 036	2 566 190
Interest on loans and borrowings	47 022 646	42 245 736
Interest expense on bank overdraft	2 668 870	820 814
Interest expense on lease liability	2 437 099	-
	60 369 651	**45 632 740**
17. Net fee and commission income / (expense)		
Fee and commission income on loans and advances	21 046 134	13 099 733
Fee and commission expense on loans and advances	(7 478 107)	(6 091 273)
	13 568 027	**7 008 460**
18. Net other operating income		
Bad debts recovered	2 563 968	1 898 763
19. Exchange differences		
Exchange differences	10 797 212	2 027 725
20. Other operating expenses		
Administration and support fees	3 401 313	3 733 286
Advertising costs	1 118 417	627 662
Audit fees	220 508	239 337
Bank charges	291 795	213 470
Collection costs	5 327 587	4 105 998
Credit bureau	94 471	70 109
Fixed asset expenses	1 153 200	737 464
Information technology consulting expenses	1 921 886	1 887 167
Insurance	271 126	201 794
Legal and consulting fees	760 205	701 538
Other expenses	1 851 216	1 068 054
Postage and courier	129 250	59 506
Printing and stationery	663 563	545 822
Profit on disposal of property and equipment	12 956	(3 852)
Refreshments	439 021	359 277
Rent and utilities	1 452 176	2 850 615
Repairs and maintenance	1 153 124	549 422
Social responsibility	17 876	14 342
Staff welfare costs	338 053	519 923
Telephone and data costs	1 239 634	801 533
Travel and accommodation	3 585 041	2 936 420
Value added taxation write-off	1 525 994	-
	26 968 412	**22 218 887**

Notes to the Financial Statements

21. Personnel costs

	2019 GH¢	2018 GH¢
Salaries and wages	9 806 163	7 507 350
Directors fees	90 500	69 393
Leave pay	84 023	47 788
Company contributions (Medical and pension funds)	974 097	1 401 714
	10 954 783	**9 026 245**

22. Taxation

Major components of the tax expense

	2019 GH¢	2018 GH¢
Current		
Local income tax - current period	2 545 063	5 541 802
Stabilisation levy	248 985	-
	2 794 048	**5 541 802**
Deferred		
Originating and reversing temporary differences	(1 294 508)	(1 784 604)
	1 499 540	**3 757 198**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2019 GH¢	2018 GH¢
Accounting profit	4 979 701	12 433 890
Tax at the applicable tax rate of 25% (2018: 25%)	1 244 925	3 108 473
Tax effect of adjustments on taxable income		
Stabilizing levy	248 985	621 695
Permanent differences	5 630	27 030
	1 499 540	**3 757 198**

23. Cash generated from/(used in) operations

	2019 GH¢	2018 GH¢
Profit before taxation	4 979 701	12 433 890
Adjustments for:		
Depreciation and amortisation	2 493 540	964 905
Loss / (profit) on sale property and equipment	12 956	(3 852)
Interest accrual on related party loan	3 957 095	2 063 556
Interest accrual on loans and borrowings	14 475 723	40 200 396
Interest and similar expenses paid	9 389 910	3 368 788
WHT tax credits on interest income	(144 107)	-
Exchange differences on related party loan	(687 656)	1 954 463
Foreign exchange movements on USD leases	(321 016)	-
Changes in working capital:		
Trade and other receivables	(2 611 215)	(7 688 400)
Derivative asset	(274 940)	291 085
Prepayments transferred to right-of-use assets	(1 632 565)	-
Net advances	(19 154 584)	(98 485 418)
Trade and other payables	3 824 187	13 285 703
	14 307 029	**(31 614 884)**

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

24. Net debt reconciliation

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

	2019 GH¢	2018 GH¢
Cash and cash equivalents	10 419 943	17 385 469
Loans and borrowings	(262 752 841)	(181 370 771)
Loans from related parties	(880 259)	(66 544 346)
Bank overdraft	(22 702 986)	(13 964 493)
Lease liabilities	(18 830 133)	-
Net debt	**(294 746 276)**	**(244 494 141)**

	Cash and cash equivalents GH¢	Lease liabilities GH¢	Loans and borrowings GH¢	Loans from related parties GH¢	Bank overdraft GH¢	Total GH¢
Net debt as at 1 January 2018	21 583 145	-	(176 858 718)	(627 400)	(46 633)	(155 949 606)
Cash flows	(4 197 676)	-	35 688 343	(65 916 946)	(13 917 860)	(48 344 139)
Non-cash flows	-	-	(40 200 396)	-	-	(40 200 396)
Net debt as at 31 December 2018	17 385 469	-	(181 370 771)	(66 544 346)	(13 964 493)	(244 494 141)
Cash flows	(6 965 526)	5 000 696	(66 906 347)	68 933 526	(8 738 493)	(8 676 144)
Non-cash flows	-	-	(14 475 723)	(3 269 439)	-	(17 745 162)
Non-cash flows - recognised on adoption of IFRS 16	-	(23 830 829)	-	-	-	(23 830 829)
Net debt as at 31 December 2019	**10 419 943**	**(18 830 133)**	**(262 752 841)**	**(880 259)**	**(22 702 986)**	**(294 746 276)**

25. Tax paid

	2019 GH¢	2018 GH¢
Balance at beginning of the year	757 070	(181 167)
Current tax for the year recognised in profit or loss	(1 986 483)	(5 541 802)
Under provision in prior years	(807 565)	-
WHT tax credits on interest income	144 107	-
Balance at end of the year	(943 032)	(757 070)
	(2 835 903)	**(6 480 039)**

26. Commitments

Operating leases – as lessee (expense) (IAS 17)

Minimum lease payments due	2019 GH¢	2018 GH¢
- within one year	-	2 017 433
- in second to fifth year inclusive	-	10 958 151
	-	**12 975 584**

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

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

27. Related parties

Relationships

Ultimate holding company	Izwe Africa Holdings

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

27. Related parties (continued)

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

Related party balances

	2019 GH¢	2018 GH¢
Loan accounts - Owing to related parties		
Africa Micro-Finance Holdings (1)	(880 259)	(66 544 346)

	2019 GH¢	2018 GH¢
Analysis of related parties		
Opening	66 544 346	627 400
Additions	-	63 795 888
Repayments	(68 933 526)	(1 896 961)
Interest accrued	3 957 095	2 063 556
Exchange differences	(687 656)	1 954 463
	880 259	**66 544 346**

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

Exposure to currency risk

Refer to note 29 Financial instruments and risk management for details of currency risk management for loans from related parties.

Exposure to liquidity risk

Refer to note 29 Financial instruments and risk management for details of liquidity risk exposure and management

Exposure to interest rate risk

Refer to note 29 Financial instruments and risk management for details of interest rate risk management for loans from related parties.

	2019 GH¢	2018 GH¢
Amounts included in trade payables regarding related parties		
African Micro-Finance Holdings	(1 105 524)	(186 968)

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

Related party transactions

	2019 GH¢	2018 GH¢
Interest paid to related parties		
African Micro-Finance Holdings	6 001 269	2 044 174

Notes to the Financial Statements

	2019 GH¢	2018 GH¢

27. Related parties (continued)

Compensation to directors and other key management

	2019 GH¢	2018 GH¢
Director fees	90 500	69 393
Loans to directors and key management	246 995	387 474
Key management emoluments	1 776 523	1 295 256
	2 114 018	**1 752 123**

28. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year (2018: Nil).

29. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Notes	Amortised cost	Total carrying amount
Net advances	8	298 980 220	298 980 220
Trade and other receivables	9	21 938 206	21 938 206
Cash restricted for use	10	13 992 852	13 992 852
Cash and cash equivalents	10	10 419 943	10 419 943
		345 331 221	**345 331 221**

2018

	Notes	Amortised cost	Total carrying amount
Net advances	8	279 825 636	279 825 636
Trade and other receivables	9	19 326 991	19 326 991
Cash restricted for use	10	3 409 940	3 409 940
Cash and cash equivalents	10	17 125 529	17 125 529
		319 688 096	**319 688 096**

Categories of financial liabilities

2019

	Notes	Fair value through profit or loss - Held for trading	Amortised cost	Total carrying amount
Derivative liability	13	16 145	-	16 145
Trade and other payables	12	-	4 849 825	4 849 825
Loans and borrowings	14	-	262 752 841	262 752 841
Loans from related parties	27	-	880 259	880 259
Bank overdraft	10	-	22 702 986	22 702 986
		16 145	**291 185 911**	**291 202 056**

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

2018

	Notes	Fair value through profit or loss - Held for trading	Amortised cost	Total carrying amount
Derivative liability	13	291 085	-	291 085
Trade and other payables	12	-	27 159 482	27 159 482
Loans and borrowings	14	-	181 370 771	181 370 771
Loans from related parties	27	-	66 544 346	66 544 346
Bank overdraft	10	-	13 964 492	13 964 492
		291 085	**289 039 091**	**289 330 176**

Capital risk management

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

The capital structure of the company consists of debt, which includes borrowings disclosed in notes 14 and 27, cash and cash equivalents disclosed in note 10 and equity as disclosed in the statement of financial position.

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

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

Regulatory capital

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

Capital Adequacy

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

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

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

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

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

	Note	2019 GH¢	2018 GH¢
Loans from related parties	27	880 259	66 544 346
Loans and borrowings	14	262 752 841	181 370 771
Bank overdraft	10	22 702 986	13 964 493
Total borrowings		**286 336 086**	**261 879 610**
Cash and cash equivalents	10	(24 412 796)	(20 535 469)
Net borrowings		**261 923 290**	**241 344 141**
Equity		40 969 451	37 489 290
Total capital		**302 892 741**	**278 833 431**
Gearing ratio		86 %	87 %

	2019 GH¢	2018 GH¢
Tier 1 Capital		
Ordinary stated capital / Shares (note 11)	2 119 520	2 119 520
Permanent non-cumulative preference shares	16 413 305	16 413 305
Retained earnings	13 382 732	11 642 649
Statutory reserves	9 053 895	7 313 816
Shareholder's funds	**40 969 452**	**37 489 290**
Tier 2 Capital		
Subordinated term debt	17 700 629	17 664 371
Total regulatory capital	**58 670 081**	**55 153 661**
Adjusted risk - weighted assets	**403 725 161**	**344 638 189**
Total regulatory capital expressed as a percentage of Total-risk weighted asset is	14.53	16.00

Financial risk management

Overview

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

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

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

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

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

Credit risk

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

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

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

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

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

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

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

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

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

		2019			2018		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost**
Net advances	8	316 011 410	(17 031 190)	298 980 220	297 714 929	(17 889 292)	279 825 637
Cash restricted for use	10	13 992 852	-	13 992 852	3 150 000	-	3 150 000
Cash and cash equivalents	10	10 419 943	-	10 419 943	17 385 469	-	17 385 469
		340 424 205	**(17 031 190)**	**323 393 015**	**318 250 398**	**(17 889 292)**	**300 361 106**

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

Reconciliation of credit loss allowance	**12 month expected credit losses**	**Lifetime expected credit losses**	**Credit impaired financial assets**	**Total**
Opening balance	5 401 923	3 688 215	8 799 154	17 889 292
Originations	2 481 665	184 794	541 933	3 208 392
Existing book movements	(860 047)	(1 354 178)	4 121 513	1 907 288
Settlements in the ordinary course of business	(502 970)	(474 518)	(1 017 494)	(1 994 982)
Write offs	-	(148 059)	(3 830 741)	(3 978 800)
Closing balance	**6 520 571**	**1 896 254**	**8 614 365**	**17 031 190**

Opening balance	17 889 292	14 548 891
Impairment loss write off	(9 457 163)	(9 606 404)
Movement in allowance for the year recognised in the statement of comprehensive income	8 599 061	12 946 805
Closing balance	**17 031 190**	**17 889 292**

Reconciliation of net advances	**12 month expected credit losses**	**Lifetime expected credit losses**	**Credit impaired financial assets**	**Total**
Up to 30 days	263 112 743	5 642 531	-	268 755 274
Over 30 days less than 60 days	8 454 881	9 689 617	-	18 144 498
Over 60 days less than 90 days	2 149	6 429 175	-	6 431 324
Over 90 days less than 180 days	585	4 549 900	4 851 661	9 402 146
Over 180 days less than 9 months	2 140	538 347	4 509 357	5 049 844
Over 9 months less than 12 months	2 540	176 635	4 617 867	4 797 042
Over 12 months less than 18 months	-	27 477	1 031 811	1 059 288
Over 18 months	-	213 232	2 158 762	2 371 994
Gross advances	271 575 038	27 266 914	17 169 458	316 011 410
Credit loss allowance	(6 520 571)	(1 896 255)	(8 614 364)	(17 031 190)
Net advances	**265 054 467**	**25 370 659**	**8 555 094**	**298 980 220**

Credit collateral

The company holds collateral against loans and advances to customers on its Vehicle Asset Finance product (Car4Cash) in the form of title interests over vehicles. The maximum tenure of the Car4Cash product is 12 months. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated when appropriate.

During the year, the total collateral against these advances is GH¢ 19,631,450.

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

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

Collateral repossessed

During the year, there were 73 repossessed and renegotiated assets by the company (2018: 10).

Liquidity risk

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

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

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

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

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

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

2019

		Less than 1 year	1 to 2 years	2 to 5 years	Total
Trade and other payables	12	4 849 825	-	-	4 849 825
Loans from related parties	27	880 259	-	-	880 259
Loans and borrowings	14	262 752 841	-	-	262 752 841
Derivative liability	13	16 145	-	-	16 145
Bank overdraft	10	22 702 986	-	-	22 702 986
		291 202 056	**-**	**-**	**291 202 056**

2018

		Less than 1 year	1 to 2 years	2 to 5 years	Total
Liabilities					
Trade and other payables	12	27 159 482	-	-	27 159 482
Loans from related parties	27	66 544 346	-	-	66 544 346
Loans and borrowings	14	101 370 771	24 000 000	56 000 000	181 370 771
Derivative liability	13	291 085	-	-	291 085
Bank overdraft	10	13 964 493	-	-	13 964 493
		209 330 177	**24 000 000**	**56 000 000**	**289 330 177**

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

Foreign currency risk

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

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

At 31 December 2019, if the currency had weakened/strengthened by 5% against the US Dollar with all other variable held constant, post-tax profit for the year would have been GH¢ 1,003,975 (2018: GH¢ 1,789,074) higher/lower, mainly as a result of foreign exchange gains or losses on transition of US Dollar denominated loans and borrowings.

2019	USD (Cedi equivalent)	Cedi	ZAR	Total
Assets				
Net advances	-	298 980 220	-	298 980 220
Cash and cash equivalents	320 916	10 099 027	-	10 419 943
Cash restricted for use	7 142 250	6 850 602	-	13 992 852
Current tax receivable	-	943 032	-	943 032
Total assets	**7 463 166**	**316 872 881**	**-**	**324 336 047**
Liabilities				
Derivative liability	-	(16 145)	-	(16 145)
Loans and borrowings	(28 576 495)	(234 176 347)	-	(262 752 842)
Trade and other payables	(1 105 524)	(2 522 105)	(1 222 194)	(4 849 823)
Loans from related parties	(880 259)	-	-	(880 259)
Bank overdraft	-	(22 702 986)	-	(22 702 986)
Total liabilities	**(30 562 278)**	**(259 417 583)**	**(1 222 194)**	**(291 202 055)**
Net financial position	**(23 099 112)**	**57 455 298**	**(1 222 194)**	**33 133 992**

2018	USD (Cedi equivalent)	Cedi	ZAR	Total
Assets				
Net advances	-	279 825 636	-	279 825 636
Cash and cash equivalents	16 170	17 109 359	-	17 125 529
Cash restricted for use	-	3 409 940	-	3 409 940
Trade and other receivables	-	19 326 991	-	19 326 991
Total assets	**16 170**	**319 671 926**	**-**	**319 688 096**
Liabilities				
Derivative liability	(291 085)	-	-	(291 085)
Loans and borrowings	-	(181 370 771)	-	(181 370 771)
Trade and other payables	(186 968)	(26 178 751)	(793 765)	(27 159 484)
Loans from related parties	(66 544 346)	-	-	(66 544 346)
Bank overdraft	-	(13 964 493)	-	(13 964 493)
Total liabilities	**(67 022 399)**	**(221 514 015)**	**(793 765)**	**(289 330 179)**
Net financial position	**(67 006 229)**	**98 157 911**	**(793 765)**	**30 357 917**

Notes to the Financial Statements

29. Financial instruments and risk management (continued)

Interest rate risk

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

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

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

Interest rate profile

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

	Note	Carrying amount	
		2019	**2018**
Variable rate instruments:			
Assets			
Cash and cash equivalents	10	10 419 944	17 189 744
Liabilities			
Loans and borrowings	14	(152 095 639)	(152 419 789)
Bank overdraft	10	(22 702 986)	(13 964 493)
		(174 798 625)	**(166 384 282)**
Net variable rate financial instruments		**(164 378 681)**	**(149 194 538)**
Fixed rate instruments:			
Assets			
Cash restricted for use	10	13 992 852	3 150 000
Liabilities			
Loans from related parties	27	(880 259)	(66 544 346)
Loans and borrowings	14	(28 971 590)	(28 950 982)
		(29 851 849)	**(95 495 328)**
Net fixed rate financial instruments		**(15 858 997)**	**(92 345 328)**

Variable rate financial assets as a percentage of total interest bearing financial assets	42.68 %	84.51 %
Fixed rate financial assets as a percentage of total interest bearing financial assets	57.32 %	15.49 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities	85.41 %	63.53 %
Fixed rate financial liabilities as a percentage of total interest bearing financial liabilities	14.59 %	36.47 %

29. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

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

	2019	2019	2018	2018
Increase or decrease in variable rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Loans from related parties 1% (2018: 1%)	(8 803)	8 803	(665 443)	665 443
Loans and borrowings 1% (2018: 1%)	(3 004 253)	3 004 253	(1 813 708)	1 813 708
Bank overdrafts 1% (2018: 1%)	(226 476)	226 476	(140 287)	140 287
Cash and cash equivalents 1% (2018: 1%)	176 224	(176 224)	171 897	(171 897)
Cash restricted for use 1% (2018: 1%)	68 502	(68 502)	31 500	(31 500)
	(2 994 806)	**2 994 806**	**(2 416 041)**	**2 416 041**

Price risk

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

30. Fair value information

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

The fair value of derivative assets and liabilities are calculated by discounting estimated future cash flows based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, at a rate that reflects the credit risk.

Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

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

The three levels are defined as follows:

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

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

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

Financial instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liability	-	(16 145)	-	(16 145)

Financial instruments	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative liability	-	(291 085)	-	(291 085)

Notes to the Financial Statements

31. Going concern

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

32. Events after the reporting period

As at the date of the approval of the financial statements, management was in the process of assessing the impact of COVID-19 on Expected credit loss (ECL) calculations and other aspect of its operations. One of the key elements of the ECL is the consideration of forward looking information, which include the impact of COVID-19. Because of the high uncertainty and unpredictability of this pandemic, management has not been able to reliably estimate the impact of COVID-19 on its ECL model as of 31 December 2019. Other significant events that came to management's attention after the year end but before the financial statements were authorized for approval include the following:

- The Bank of Ghana has reduced the Monetary Policy rate by 150 basis points to 14.5%;
- Loan repayments that are past due for Microfinance Institutions for up to 30days shall be considered as 'current' as in the case for all other SDIs;
- The Bank of Ghana reduced the primary reserve requirement from 10% to 8%.

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

Value Added Statement

	2019 GH¢	2018 GH¢
Value Added		
Other operating income	130 984 763	111 342 387
Direct cost of services and other costs	(46 746 649)	(76 039 935)
Impairment loss on financial assets	(8 333 361)	(12 946 805)
Total Value Added	**75 904 753**	**22 355 647**
Value Distributed		
To Pay Employees		
Salaries, wages, medical and other benefits	(10 662 496)	(8 956 852)
Directors	(90 500)	(69 393)
	(10 752 996)	**(9 026 245)**
To Pay Government		
Income tax	2 545 063	(3 757 198)
Education tax	248 985	-
	2 794 048	**(3 757 198)**
To be retained in the business for expansion and future wealth creation:		
Depreciation and amortisation	(2 477 779)	(964 905)
Deferred tax	(1 294 508)	-
	(3 772 287)	**(964 905)**
Value retained		
Retained profit	3 136 884	8 824 601
	3 136 884	**8 824 601**