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LETSHEGO GHANA SAVINGS AND LOANS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

CORPORATE INFORMATION

Directors	Mr Blaise Mankwa	Chairman
	Mr Darren Bruce Sneddon	Member
	Mr Arnold Kobina Parker	Member
	Mr Ibrahim Obosu	Member
	Mrs Elly Ohene-Adu	Member
	Mr Tom Kocsis	Member

Company secretary

Sirdar Ghana Limited
C934/3, 5th Crescent Asylum Down, Accra
P. O. Box KN 1532
Accra

Solicitors

Bentsi Enchill Lesta & Ankomah
4 Momotse Avenue
Adabraka, Accra
P. O. Box GP 1632
Accra

Registered office

4th Floor, Cocoshe House
Off Agostino Neto Road
Airport City
Accra
Ghana

Auditor

EY
Chartered Accountants
15 White Avenue
Airport Residential Area
P. O. Box 16009
Airport, Accra

Bankers

Universal Merchant Bank Limited
Barclays Bank of Ghana Limited
Standard Chartered Bank Limited
Fidelity Bank Ghana Limited

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Letshego Ghana Savings and Loans PLC ('the Company') for the year ended 31 December 2019.

Principal activities

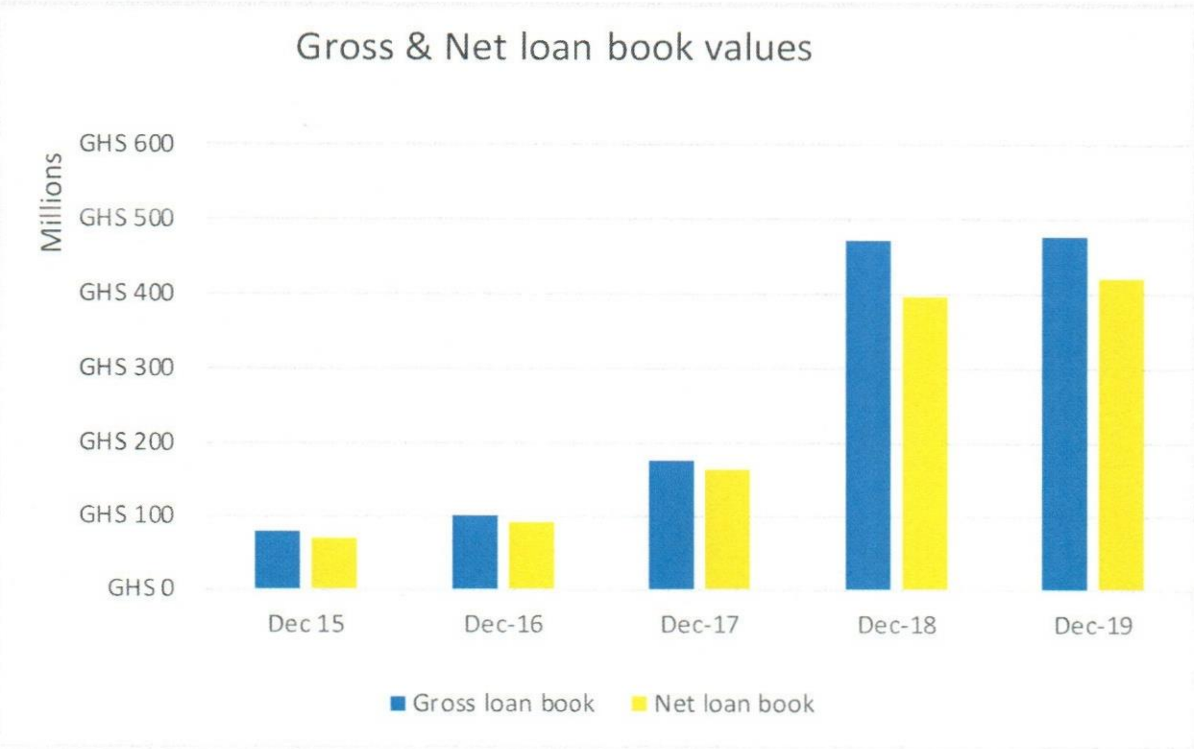
The Company is authorised to transact business as a Non-Banking Financial Institution.

Payroll Loans	Mobile	
Letshego Ghana provides unsecured payroll deduction loans to Government and corporate employees in Ghana. Loan values range in value from GHS 100 to GHS 60,000. Repayment terms are from 3 to 72 months.	Mobile loan product (Qwikloan) is offered to customers on a short-term basis with repayment via mobile deduction. Loans are repayable in 30 days.	Our Edusolution is purposefully designed to support micro, small and medium-sized entrepreneurs in the educational sector with a current emphasis on private basic schools.
Insurance	**Rewards Gold Card**	**LetsGo**
Because we want to help protect your family in the event that life throws unexpected circumstances your way, we offer easy-to-understand, affordable credit life insurance on selected products on behalf of Enterprise Life Assurance Company Risks currently covered include: ▸ Life ▸ Accidental death ▸ Disability ▸ Critical illness ▸ Retrenchment	Letshego Ghana loan customers qualify for our Rewards Gold Card program, which offers additional benefits including; • Free accidental death cover • Discounts with select Ghanaian retailers	LetsGo uses a simple mobile to mobile technology solution. Customers use an active mobile wallet to deposit and withdraw on a 24/7 creating a fully accessible savings product.

REPORT OF THE DIRECTORS (CONTINUED)

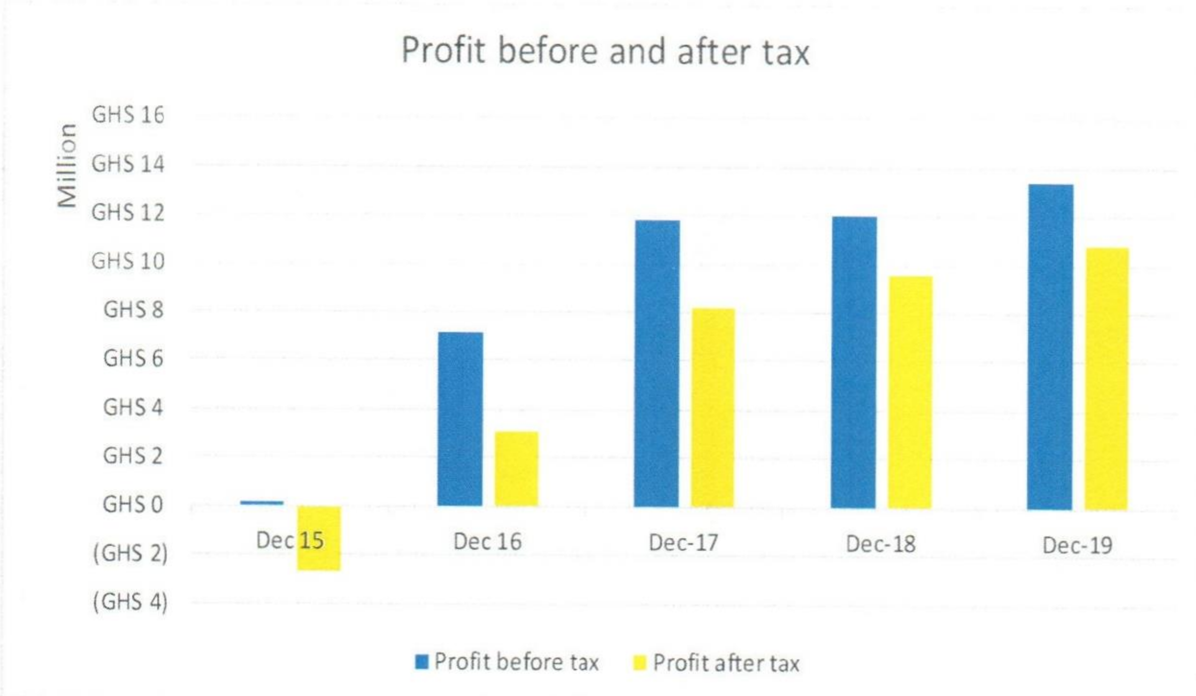
5-year company analysis

	GHS '000				
	Dec 15	Dec 16	Dec-17	Dec-18	Dec-19
Net Interest on loan book	GHS 31,133	GHS 36,935	GHS 42,772	GHS 104,750	GHS 129,013
Other income	GHS 4,134	GHS 7,338	GHS 6,657	GHS 10,405	GHS 13,841
Profit before tax	GHS 193	GHS 7,180	GHS 11,809	GHS 12,035	GHS 13,444
Profit after tax	(GHS 2,679)	GHS 3,079	GHS 8,196	GHS 9,572	GHS 10,786
Gross loan book	GHS 77,290	GHS 100,800	GHS 176,201	GHS 472,611	GHS 477,437
Net loan book	GHS 68,645	GHS 91,680	GHS 163,802	GHS 397,082	GHS 421,964



REPORT OF THE DIRECTORS (CONTINUED)

5-year company analysis (continued)



REPORT OF THE DIRECTORS (CONTINUED)

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and followed the requirements of International Financial Reporting Standards (IFRS) , the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2017 (Act 930).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Holding company

The Company is a subsidiary of Letshego Holdings Limited which acquired 100% of the Company effective 1 January 2018. Letshego incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange since 2002.

Financial results

The financial results for the year ended 31 December 2019 are set out below:

	GHS
Profit before tax	13,443,755
from which is deducted income tax expense of	-2,658,042
giving a profit for the year after income tax of	10,785,713
from which is deducted transfer to statutory reserve of	-5,392,856
and income surplus account brought forward of	307,560
leaving an income surplus amount carried forward of	**5,700,417**

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2019 (2018: nil).

REPORT OF THE DIRECTORS (CONTINUED)

Board meetings

The Company's Board met three times in 2019. The record of attendance is provided below

Name	March 2019	July 2019	December 2019
Mr. Blaise Mankwa	√	√	√
Mr. Darren Bruce Sneddon	X	X	X
Mr. Arnold Kobina Parker	√	√	√
Mr. Ibrahim Obosu	√	√	√
Mr. Elly Ohene-Adu	√	√	X
Mr. Thomas Kocsis	X	X	X

Audit and Risk Committee meetings

The Company's Board Audit and Risk Committee met in 2019. The record of attendance is provided below

Name	March 2019	December 2019
Mr. Elly Ohene-Adu	√	X
Mr. Blaise Mankwa	X	√
Mr. Darren Bruce Sneddon	X	X
Mr. Arnold Kobina Parker	√	√
Mr. Thomas Kocsis	X	X

The following directors resigned from the board during the year:

Mr. Darren Bruce Sneddon - March 31, 2019
Ms Elly Ohene Adu - August 2, 2019
Mr. Thomas Kocsis - November 5, 2019

The below appointments were done during the year, pending regulatory approval:

Mr. Geoffrey Kitakule - November 28, 2019
Mr. Christian Sottie - December 12, 2019

Name Change

During 2019 the company changed its name from AFB Ghana Ltd. to Letshego Ghana Savings and Loans PLC.

Directors and their interests

The directors who served during the year have no direct or indirect interest in the issued share capital of the Company. No director had a material interest, at any time during the year, in any contract, other than a serving on the board of Letshego Ghana Savings and Loans PLC.

Corporate social responsibility and code of ethics

Letshego Ghana Savings and Loans PLC engaged in various corporate social responsibilities. These involved sponsorships of educational events and programmes.

REPORT OF THE DIRECTORS (CONTINUED)

Capacity building of directors to discharge their duties

The company ensures that only fit and proper persons are appointed to the Board after obtaining the necessary integrity checks have been performed. Letshego Ghana Savings and Loans PLC provides a formal and tailored training for directors annually. The directors attended structured programmes organized by Sirdar Ghana Ltd and National Banking College during the period under review. The training are provided to ensure directors continually update their skills and knowledge of the company's business to enable them effectively perform their role on the Board and its committees. The training organized by the National Bank College was on corporate governance framework.

Auditor and Audit fees

The auditor, Ernst and Young, has expressed willingness to accept appointment to be auditors for Letshego Ghana Savinsg and Loans PLC 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¢ 288,000.

Initial assessment on the impact of Covid-19

The Covid-19 (coronavirus) outbreak occurred at a time close to the company's reporting date and the condition has continued to evolve throughout the time line crossing 31 December 2019. In late 2019, a cluster of cases displaying the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". Since then, more cases have been diagnosed, also in other countries. Measures were taken, and policies imposed by China and other countries. Gradually more information became available.

Letshego Ghana Savings and Loans PLC and their clients have been impacted by the outbreak or by the measures taken in preventing the spread of the disease. The critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the Compnany's activities or its assets and liabilities. When making this judgement, the Company took into consideration all available information about the nature and the timeline of the outbreak and measures taken.

Letshego Ghana Savings and Loans PLC has stressed its liquidity forecast, with focus on monthly installment receivables to sustain the business. The company raises medium term notes on the alternative market of the Ghana Stock Exchange (the company currently has room to raise more funds).

In these Covid 19 period, the company continues to operate as normal with disbursement to its customers.

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shut down in the series of events that led to the shutdown is not the outbreak itself, but rather the measures taken by the government of Ghana. As a result the event is considered a non-adjusting event and cannot be reflected in the Company's assets and liabilities as at 31 December 2019.

Albeit the fact that management has concluded that the event is a non-adjusting event, but the impact of this non-adjusting event is material, the Company disclosed the nature of the event and an estimate of its financial effect. Letshego Ghana Savings and Loans Plc have been directly affected by the virus and the outbreak has affected its operations through the lockdowns that have been affected by the governments to protect citizens from further spreading of the disease. Ghana has recently confirmed a few cases of this epidemic, and operations have slowed down due to the governmental measures imposed to curb the spread of the disease into the country and there is a likelihood of a shutdown to be imposed in April 2020.

In the early stages of the outbreak, the high level of uncertainties due to the unpredictable outcome of this disease may make it difficult to estimate the financial effects of the outbreak. The significant estimates and judgements applied to determine the financial position at 31 December 2019 have been included as part of the accounting policies of the Company. The estimates applied, relating to the calculation of Expected Credit Losses, were based on forward looking factors referencing a range of forecast economic conditions as at that date. The outbreak of covid-19 has resulted in disruption to business activities globally, since mid-January 2020 with a material impact being noted from March 2020.

Going Concern

No issues have come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve (12) months from the date of this statement.

By Order of the Board

Signature:

Name of Director: Blaise O. Mantwa

Date: 16th June 2020

Signature:

Name of Director:

16th June 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LETSHEGO GHANA SAVINGS AND LOANS PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Letshego Ghana Savings and Loans Plc (the Company) set out on pages 14 to 69, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit -Taking Institutions Act, 2016 (Act 930).

Basis for opinion

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

Key audit matters

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

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

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Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans and advances to customers	
IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since the initial recognition and recognition of impairment could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that takes into account: ‣ The probability-weighted outcome. ‣ Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Company's Expected Credit Loss includes: ‣ Use of assumptions in determining ECL modelling parameters. ‣ portfolio segmentation for ECL computation ‣ Determination of a significant increase credit risk and ‣ Determination of associations between macroeconomic scenarios. The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on loans and advances to customers. Due to the significance of such loans and the significant use of judgements, the assessment of the allowance for expected credit losses is a key audit matter. A total amount of GH¢49,663,372 has been recorded in the statement of profit or loss and other comprehensive income for the year as a credit loss. The total impairment provision held as at 31 December 2019 in accordance with IFRS 9 impairment rules was GH¢ 55,472,918. Further disclosures relating to these amounts and the Bank's accounting policies regarding estimating these ECLs have been disclosed in note 4, note 6 and note 28 respectively of these financial statements.	We have obtained an understanding of the Company's implementation process of IFRS 9, including understanding of the changes to the Company's IT systems, processes and controls. Additionally, we obtained an understanding of the credit risk modelling methodology. We validated and tested the ECL model of the Company by assessing the data integrity and the internal controls around the model. We have also performed, among others, the following substantive audit procedures: ‣ Reviewed the accounting policies and framework methodology developed by the Company in order to assess its compliance with IFRS 9; ‣ Verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model. ‣ Reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9, concentrating on aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) ‣ Tested the accuracy and completeness of data used in modelling the risk parameter, Recalculating the ECL, ‣ Reviewed forward looking information / multiple economic scenario elements ‣ For stage 3 exposures, we tested the reasonableness of the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral, estimated period of realisation for collaterals, etc. ‣ We have also analysed information relating to the allowance for expected credit losses on loans and advances to customers disclosed in the notes to the financial statements of the Company.

Other information

The directors are responsible for the other information. The other information comprises corporate information (Directors, Officials and Registered Office), report of the Directors and statement of directors' responsibilities. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992) and the and the Banks and Specialized 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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal requirements

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books;

- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and

- The statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

- In our opinion, to the best of our information and according to the explanations given to us, the accounts give the information required under the Act, in the manner so required and give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year then ended.

- We are independent of the Bank pursuant to section 143 of the companies Act, 2019 (Act 992).

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

- The accounts give a true and fair view of the statement of affairs of the company and the results of operations for the year under review;

- We were able to obtain all the information and explanations required for the efficient performance of our duties;

- The transactions of the company are generally within the powers of the company;

- The company has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

- The company has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;

The engagement partner on the audit resulting in this independent auditor's report is **Pamela Des Bordes** (ICAG/P/1329).

Ernst & Young

Ernst & Young (ICAG/F/2020/126)
Chartered Accountants
Accra, Ghana

Date: 16/06/2020

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are in Ghana cedis)

		At 31 December	
		2019	2018
Assets	Note		
Cash and bank balances	5	47,632,320	31,063,882
Loans and advances to customers	6	421,964,058	397,082,166
Other assets	7	3,419,090	11,950,828
Deferred commission expense	8	-	6,203,904
Deferred income tax asset	17	14,088,232	12,206,177
Property and equipment	9	3,242,777	3,690,401
Right of use assets	10	2,175,318	
Intangible assets	11	2,611,956	776,437
Total assets		495,133,751	462,973,795
Liabilities			
Customer deposits	12	6,066,923	47,905,750
Other liabilities	13	22,513,916	11,712,542
Lease liabilities	14	1,693,878	-
Collateral Deposits	15	126,904,313	84,593,884
Deferred fee income	16	-	10,946,642
Current income tax	17	14,845,479	16,419,230
Borrowings	18	267,049,250	246,354,763
Total liabilities		439,073,759	417,932,811
Equity			
Stated capital	19	30,546,314	30,546,314
Retained earnings	21	5,700,417	307,560
Statutory reserves	22	19,434,736	14,041,880
Share based payment reserve	23	378,525	145,230
Total equity		56,059,992	45,040,984
Total liabilities and equity		495,133,751	462,973,795

The notes 1 to 35 form an integral part of these financial statements.

The financial statements on pages 14 to 69 were approved by the Board of Directors on ...16th June... 2020 and signed on its behalf by:

Signature:

Name of Director:
Blaise O. Mankwa.

Signature:

Name of Director:
ARNOLD PARKER.

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2019	2018
Interest income	24	309,598,372	181,906,538
Interest expense	25	(180,585,385)	(77,156,977)
Net interest income		129,012,987	104,749,561
Fee income	26	13,841,411	10,404,876
Commission expenses	27	(39,421,180)	(26,226,016)
Net fee and commission expense		(25,579,769)	(15,821,140)
Other operating income		92,000	-
Operating income		103,525,218	88,928,421
Impairment charge on loans and advances	28	(49,663,372)	(51,042,565)
Personnel costs	29	(11,790,285)	(10,485,306)
Operating expenses	30	(28,627,806)	(15,365,480)
Profit before tax		13,443,755	12,035,070
Income tax expense	17	(2,658,042)	(2,462,776)
Profit for the year		10,785,713	9,572,294
Other comprehensive income		-	-
Total comprehensive income for the year		10,785,713	9,572,294
Earnings per share			
Basic and diluted (Ghana cedis)	20	1.14	1.01

The notes 1 to 35 form an integral part of these financial statements.

(All amounts are in Ghana cedis)

	Stated capital	Income surplus account	Statutory reserves	Share based payment reserve	Total
Year ended 31 December 2018					
Restated Balance at 1 January 2018	30,546,314	(4,478,587)	9,255,733	40,680	34,364,140
Profit for the Year	-	9,572,294			9,572,294
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income	-	9,572,294	-	-	9,572,294
Transfer to statutory reserves	-	(4,786,147)	4,786,147	-	-
Share based payment reserve	-	-	-	104,550	104,550
At 31 December 2018	**30,546,314**	**307,560**	**14,041,880**	**145,230**	**45,040,984**
Year ended 31 December 2019					
At 1 January 2019	30,546,314	307,560	14,041,880	145,230	45,040,984
Changes on application of IFRS 16	-	-	-	-	-
Restated Balance at 1 January 2019	30,546,314	307,560	14,041,880	145,230	45,040,984
Profit for the Year	-	10,785,713	-	-	10,785,713
Other Comprehensive Income	-	-	-	-	-
Total comprehensive income	-	10,785,713	-	-	10,785,713
Transfer to statutory reserves	-	(5,392,856)	5,392,856	-	-
Share based payment reserve	-	-	-	233,295	233,295
At 31 December 2019	**30,546,314**	**5,700,417**	**19,434,736**	**378,525**	**56,059,992**

The notes 1 to 35 form an integral part of these financial statements.

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2019	2018
Cash flows from/ (used in) operating activities	31	58,259,826	(84,508,866)
Interest paid		(45,528,738)	(30,082,032)
Income tax paid	17	(6,113,853)	(196,924)
Net cash used in operating activities		6,617,235	(114,787821)
Cash flows from investing activities			
Purchase of property and equipment	9	(1,263,266)	(1,819,650)
Proceeds from disposal of property and equipment	9	95,066	241,200
Purchase of intangible assets	11	(2,769,029)	(214,359)
Net cash used in investing activities		(3,937,229)	(1,792,809)
Cash flows from financing activities			
Lease payment	14	(2,415,938)	-
Drawdown from borrowings	18	30,663,342	209,353,500
Repayment of borrowings	18	(4,000,000)	(75,444,950)
Net cash generated from financing activities		24,247,404	133,908,550
Net decrease in cash and cash equivalents		26,927,410	17,327,920
Cash and cash equivalents at 1 January		20,704,910	3,376,990
Cash and cash equivalents at 31 December	5	47,632,320	20,704,910

The notes 1 to 35 form an integral part of these financial statements.

1. General information

Letshego Ghana Savings and Loans Plc is a public limited company incorporated and domiciled in the Republic of Ghana. The Company is licensed as a Non-Bank Financial Institution under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The Company's corporate bonds are listed on the Ghana Fixed Income Market of the Ghana Stock Exchange. The Company is a wholly owned subsidiary of Letshego Holdings Limited, a company incorporated in the Republic of Botswana.

The address of the Company's registered office is 4th Floor, Cocoshe House, Off Agostino Neto Road, Airport City, Accra.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee. Additional information required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements is in conformity with IFRS and requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

In these financial statements, the Company has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described in Note (i) below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Company's financial statements.

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2019, unless otherwise stated. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(i) IFRS 16 Leases

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

2 Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Company (continued)

(i) IFRS 16 Leases (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019.

Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for various branches. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.4 for the accounting policy prior to 1 January 2019.
Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.5 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

➢ *Leases previously classified as finance leases*

The Company did not have any leases previously classified as finance lease.

➢ *Leases previously accounted for as operating leases*

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

2 Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Company (continued)

Based on the above, as at 1 January 2019:

- Right-of-use assets of GHS4,884,432 were recognised and presented in the statement of financial position as a line item.
- Lease liabilities of GHS3,731,347 were recognised.
- The adoption of IFRS 16 had no impact on the Company's retained earnings.

(ii) IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Company and the subsidiaries in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

(iii) Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Company.

2 Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

2.1.2 Changes in accounting policies and disclosures (continued)

(b) New and amended standards not yet adopted by the Company

A number of new standards and amendments to standards are issued but not yet effective for year ended 31 December 2019.of which are set out below. The Company does not plan to adopt these standards early. These will be adopted, if applicable, in the period that they become mandatory.

(i) IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the company.

(ii) Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the company will not be affected by these amendments on the date of transition.

(iii) Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the company's financial statements.

2. Summary of significant accounting policies (continued)

(b) New and amended standards not yet adopted by the Company (continued)

(iv) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28*

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The amendment is not expected to have a significant impact on the company's financial statements.

2.2 Foreign currencies

Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana Cedi, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities

All financial assets and liabilities are recognised in the statement of financial position and measured in accordance with their assigned category.

2.3.1 Financial assets

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

The Company classifies its financial assets as loans and receivables. The Directors determine the classification of its financial assets at initial recognition.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement (continued)

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(i) Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

(i) Classification and subsequent measurement(continued)

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Equity instruments (continued)

When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

(ii) Impairment

The company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of loans

The company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- ➢ The amount of the loss allowance; and
- ➢ The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Company are measured as the amount of the loss allowance. The Company has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

The Company's financial assets consists of the following:

Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest rate method. These are classified as loans and other receivables.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash in hand, and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Company's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Other assets

Other assets comprise of deposits and other recoverables which arise during the normal course of business. These are classified as loans and receivables and are initially measured at fair value plus incremental direct costs, and are subsequently measured at their amortised cost using the effective interest rate method.

2.3.2 Financial liabilities

The Company's holding in financial liabilities represents mainly borrowings, customer deposits and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Borrowings and customer deposits

Borrowings and customer deposits are the Company's sources of funding; they are classified as financial liabilities at amortised cost and are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Other liabilities

Liabilities for trade, other amounts payable which are normally settled on 30 to 90 day terms and lease liabilities are measured at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company. These are classified as financial liabilities at amortised cost.

2.3.3 Recognition

The Company initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company uses trade date accounting for regular way contracts when recording financial asset transactions

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.2 Financial liabilities (continued)

2.3.4 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from these asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.3.5 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.3.6 Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined using valuation techniques.

Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Company uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate swaps. For these financial instruments, inputs into models are market observable.

When entering into a transaction, the financial instrument is recognised initially at fair value. The best evidence of fair value of a financial instrument at recognition is normally the transaction price, the fair value of the consideration given or received. The value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.6 Fair value measurement (continued)

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments at fair value.

2.3.7 Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment that has been incurred but not yet identified.

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

2. Summary of significant accounting policies (continued)

2.4. Leases (Policy applicable before 1 January 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

2.4.1. The Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

2.4.2. The Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5. Leases (Policy applicable as of 1 January 2019)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.5.1. The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 10 Right-of-use assets and are subject to impairment in line with the Company's policy.

2. Summary of significant accounting policies (continued)

2.5. Leases (Policy applicable as of 1 January 2019) (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2.5.2. Company as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.6 Intangible assets

Software acquired by the Company is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development.

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software for current and prior periods is ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2. Summary of significant accounting policies (continued)

2.7 Property, equipment and right of use asset

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment/losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the property and equipment. The estimated useful lives for current and prior periods are as follows:

Right of use asset	Over the lease term
Computer equipment	3 years
Furniture and fittings	4 years
Office equipment	5 years
Motor vehicles	4 years

The residual value and useful life of each part of property and equipment, if not significant, is reassessed annually. Depreciation costs are recognised on a prorate basis from the date the asset is available for use.

Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Gains and losses on disposal of property and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss. When revalued assets are sold, it is Company policy to transfer any amounts included in capital surplus in respect of those assets to income surplus.

2.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and risks specific to the asset.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Provisions

Provisions are recognised when Company has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Summary of significant accounting policies (continued)

2.12 Fees and commissions

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees received by the entity to originate a loan are recognised on a time-apportionate basis over the period the service is provided. Commission expenses, which relate mainly to agency and collection charges, are expensed as the related services are received.

2.13 Stated capital

Ordinary shares are classified as "stated capital" in equity.

2.14 Dividends paid

Dividends on ordinary shares are recognised against equity in the period in which they are approved by the shareholders. Dividends declared after the reporting date are not recognised as a liability in the statement of financial position.

2.15 Employee benefits

Pension obligations

The Company makes contributions to mandatory pension schemes for eligible employees. Contributions by the Company to the mandatory pension schemes is determined by law and are defined contributions plan.

A defined contribution plan is a pension plan under which the Company pays fixed contributions to the statutory pension scheme or the provident fund. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2.16 Share-based payment transactions

The parent company operates an equity-settled conditional Long-Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The parent company also grants its own equity instruments to employees of the subsidiaries as part of group share-based payment arrangements. The number of vesting awards is subject to achievement of non-market conditions.

The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expenses is adjusted to reflect the actual number of awards that vest.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Company revises its estimate of the number of options expected to vest.

The Company recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Amounts recognised for services rendered if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share-based payment reserve and credited against income surplus.

2. Summary of significant accounting policies (continued)

2.10 Income tax

Income tax on the profit or loss for the year comprises current and deferred income tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current income tax

Current income tax comprises tax payable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred income tax

Deferred income tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax (continued)

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.11 Interest income and expense

Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. Summary of significant accounting policies (continued)

2.16 Share-based payment transactions (continued)

The proceeds received net of any attributable transactions cost are credited to stated capital when the options are exercised.

2.17 Contingent liabilities

The Company discloses a contingent liability where, it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Company.

2.18 Deferred income

Deferred revenue is recognised when cash is received but services have not been rendered. It is measured at the value of the amount received.

The Company charges various upfront and recurring fees to its loan customers. Deferred income is made up of loan initiation fees calculated as a fixed percentage of the loan amounts disbursed to the customers and charged either upfront to the customer, without specific services being rendered for such fee income. IFRS 15 and IFRS 9 Financial Instruments require such fees to be considered as an integral part in the determination of the effective interest rate used in the subsequent measurement of the underlying financial asset at amortised cost. This means that such fee income should not be recognised when charged, but should be recognised over the term of the underlying loan and advance on the same basis as is done for interest earned.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL

3. Critical accounting estimates and judgements in applying accounting policies (continued)

Effective Interest Rate (EIR) method

The company's EIR method, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to the Company's base rate and other fee income/expense that are integral parts of the instrument.

Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

Deferred tax asset recovery plan

The Company recognises deferred tax asset which arises from temporary differences. The Company expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Company.

Share-based payment transactions

The Company operates an equity settled conditional Long-Term Incentive Plan (LTIP). The plan is only based on non-market conditions. These non-market conditions are determined by the parent company. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumptions are that there will be 60% vesting probability.

4. Financial risk management

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

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and price risk.

4.1. Credit risk

The Company takes on exposures to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The management of credit default risks begins with the loan officers. Through credit analysis, the Company minimises this risk at the beginning of the credit cycle, that is, when the loan application is received and processed by the responsible loan officer. Key to the analysis is training of the loan officers in credit evaluation techniques. Credit decisions are based on a documented analysis of the customer, including an appraisal of collateral, if applicable.

Loan officers develop close working relationships with credit customers and monitor their business activities on a regular basis with the objective of reducing arrears to the minimum and identifying problem loans at an early stage. The Company also monitors the quality of the loan portfolio on an ongoing basis, using a portfolio at risk (PAR) definition that includes all exposures with payments overdue by more than 30 days as the basic measure of current portfolio quality.

(i) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information

4. Financial risk management (continued)

4.1. Credit risk (continued)

(i) Expected credit loss measurement (continued)

Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- 30 days past due rebuttable presumption
- Considering historical delinquency behaviour of accounts that are currently up to date and bucket 1 (1-30 days)
- Technical/operational arrears with proof that an account remains in arrears after the technical/operational error is fixed
- Significant adverse changes in business, financial and/or economic conditions in which the client operates

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2019.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

4. **Financial risk management (continued)**

4.1. **Credit risk (continued)**

(i) Expected credit loss measurement (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD do not vary by financial instrument. The Company uses BMI Research/Fitch Solutions to assist in the forecast of economic variables and an overview of the economy quarterly or more often if necessary.

(ii) Maximum exposure to credit risk

Credit risk exposures relating to on-balance sheet assets are as follows:

	2019	2018
Bank balances	47,632,018	8,416,641
Loans and advances to customers	421,964,058	397,082,166
Other assets (excluding prepayments)	163,315	10,467,439
	469,761,410	415,966,246

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Company would have to pay if the guarantees were to be called upon.

For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

4. Financial risk management (continued)

4.1. Credit risk (continued)

(iii) Credit quality

The credit quality of financial assets is managed by the Company using an established criterion. The Company assesses credit quality on loans by the categorisation of outstanding balances based on time lapse since the last loan settlement received from the customer (defined as recency) and the number of instalment in arrears For the purposes of assessing impairment provision for specific customer accounts, all loans balances in arrears for more than 30 days are assessed individually for impairment.

The table on the below shows analysis of credit quality at the reporting date.

	2019 Loans and advances	2018 Loans and advances
Neither past due nor impaired	**379,000,682**	372,782,602
Past due but not impaired	**38,509,552**	67,476,907
Impaired	**59,926,742**	32,351,955
Gross	**477,436,976**	472,611,464
Impairment loss	**(55,472,918)**	(75,529,298)
Carrying amount	**421,964,058**	397,082,166

Neither past due nor impaired

Loans and advances classified as neither past due nor impaired are loans and advances assessed as performing by reference to the Company's policy on credit impairment provision.

Other assets are neither past due nor impaired.

Past due but not impaired

Loans and advances less than 30 days past due are not considered impaired unless information available to the Company proves otherwise. The tables below shows gross amount of loans and advances to customers that were past due but not impaired:

	2019	2018
Past due up to 30 days	**991,008**	35,571,816
Past due up to 60 days	**19,902,441**	19,151,285
Past due up to 90 days	**17,616,103**	12,753,806
Total	**38,509,552**	67,476,907

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(iv) Sensitivity to probability of default and loss given default

The Company considers probabilities of default and loss given default in the determination of its impairment allowance. The changes to the impairment allowance at 31 December 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Company's assumptions are set out below.

At 31 December 2019, an increase/decrease of 100 basis points on the estimated probability of default would have resulted in a decrease/increase in post-tax profit of GHS 2,713,492 (2018: GHS 32,902).

At 31 December 2019, an increase/decrease of 100 basis points on the estimated loss given default would have resulted in a decrease/increase in post-tax profit of GHS 374,495 (2018: GHS 97,145).

(v) Concentration of credit risk

The Company monitors concentrations of credit risk by product and by industry and by customer segment. An analysis of concentrations of credit risk in respect of loans and advances to customers at the reporting date is shown below:

Concentration by product:

	2019	2018
Payroll loans	**290,258,748**	238,088,515
Smartcash loans	**3,115,055**	3,115,055
Edusolution	**2,162,259**	1,716,461
Mobile loans	**181,900,916**	229,691,433
Gross loans and advances to customers	**477,436,976**	472,611,464
Impairment	**(55,472,918)**	(75,529,298)
Carrying amount	**421,964,058**	397,082,166

Concentration by customer segment:

	2019	2018
Formal	**295,536,058**	239,804,976
Informal	**181,900,918**	232,806,488
Gross loans and advances to customers	**477,436,976**	472,611,464
Impairment	**(55,472,918)**	(75,529,298)
Carrying amount	**421,964,058**	397,082,166

4. Financial risk management (continued)

4.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Company will be unable to do so is inherent in all operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.2.1 Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by a separate team in the Treasury department, includes:

(i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

(ii) Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and

(iii) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Company's Treasury unit also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

4.2.2 Funding approach

Sources of liquidity are regularly reviewed by the Company's Treasury unit to maintain a wide diversification by currency, provider, product and term.

4.2.3 Exposure to liquidity risk

The key measure used by the Company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and debt securities for which there is an active and liquid market less any deposits from banks and other financial institutions, debt securities issued, other borrowings and commitments maturing within the next month.

The table on the subsequent page presents the cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows for the non-derivative financial assets and liabilities held by the Company.

4. **Financial risk management (continued)**

4.2 **Liquidity risk (continued)**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity date. The amounts in the table below are the contractual undiscounted cash flows:

At 31 December 2019	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	-	3,377,295	43,597,907	259,492,121	306,467,323
Customer deposits	910,996	2,181,003	3,352,511	-	6,444,510
Collateral deposits	126,904,313	-	-	-	126,904,313
Other liabilities (less accrued expenses)	1,433,011	-	-	-	1,433,011
Total financial liabilities	129,248,320	5,558,298	46,950,418	259,492,121	441,249,157
Financial assets					
Cash and cash equivalents	47,632,320	-	-	-	47,632,320
Loan and advances to customers	194,352,294	24,902,756	112,062,400	287,166,867	618,484,317
Other assets (excluding prepayments)	163,314	-	-	-	163,314
Total financial assets held for managing liquidity risk	242,147,928	24,902,756	112,062,400	287,166,867	666,279,951
Net liquidity gap	112,899,608	19,344,458	65,111,982	27,674,746	225,030,794

4. **Financial risk management (continued)**

4.2 Liquidity risk (continued)

At 31 December 2018	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	12,860,469	7,512,868	37,147,923	393,522,518	451,043,778
Customer deposits	133,575	9,444,585	43,225,961	-	52,804,121
Collateral deposits	84,593,884	-	-		84,593,884
Other liabilities (less accrued expenses)	4,681,902	-	-	-	4,681,902
	-	-	-	-	-
Total financial liabilities	102,269,830	16,957,453	80,373,884	393,522,518	593,123,685
Financial assets held for managing liquidity					
Cash and cash equivalents	29,408,154	1,655,728	-	-	31,063,882
Loan and advances to customers	232,826,677	1,893,277	9,748,431	228,143,079	472,611,464
Other assets (excluding prepayments)	10,467,439	-	-	-	10,467,439
Total financial assets held for managing liquidity risk	272,702,270	3,549,005	9,748,431	228,143,079	514,142,785
Net liquidity gap	170,432,440	(13,408,448)	(70,625,453)	(165,379,439)	(78,980,900)

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

4.2.3 Exposure to liquidity risk (continued)

The Company holds a diversified portfolio of cash and liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise cash and bank balances and loans and advances.

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to market risk arising principally from customer-driven transactions and they include foreign currency risk and interest rate risk.

(i) Foreign exchange risk

The Company is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management is responsible for minimising the effect of the currency exposure by holding bank accounts in foreign currencies.

At December 31, 2019, if the currency had weakened/strengthened by 10% (2018: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GH¢564 (2018: GH¢778) higher/lower, mainly as a result of US dollar denominated bank balances.

(ii) Interest rate risk

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

Interest rates on the Company's products may increase or decrease with changes in the prevailing levels of market interest rates. The table on the subsequent page summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.3. Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2019	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and cash equivalent	46,080,194	1,552,126	-	-	-	47,632,320
Loans and advances to customers	188,433,481	13,065,130	58,793,085	217,145,280	-	477,436,976
Other assets (excluding prepayment)	-	-	-	-	163,314	163,314
Total financial assets	234,513,675	14,617,256	58,793,085	217,145,280	163,314	525,232,610
Financial liabilities						
Borrowings	-	-	5,000,000	257,070,072	8,808,700	270,878,772
Customer deposits	906,507	2,090,020	3,070,396	-	-	6,066,923
Other liabilities	-	-	-	-	126,904,313	82,541,231
Total financial liabilities	906,507	2,090,020	8,070,396	257,070,072	135,713,013	359,486,926
Total interest repricing gap	233,607,168	12,527,236	50,722,689	(39,924,792)	(135,549,699)	165,745,684

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.3. Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2018	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and cash equivalent	6,760,913	1,655,728	-	-	22,647,241	31,063,882
Loans and advances to customers	232,826,677	1,893,277	9,748,431	228,143,079	-	472,611,464
Other assets (excluding prepayment)	-	-	-	-	10,467,439	10,467,439
Total financial assets	239,587,589	3,549,005	9,748,431	228,143,079	33,114,680	514,142,785
Financial liabilities						
Borrowings	27,505,378	51,246,058	143,025,618	24,577,710	-	246,354,763
Customer deposits	4,589	9,128,329	38,772,832	-	-	47,905,750
Collateral deposits	-	-	-	-	84,593,884	84,593,884
Other liabilities	-	-	-	-	11,712,542	11,712,542
Total financial liabilities	27,509,967	60,374,387	181,798,450	24,577,710	96,306,426	390,566,939
Total interest repricing gap	212,077,622	(56,825,382)	(172,050,019)	203,565,369	(63,191,745)	123,575,846

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

Interest rate sensitivity analysis

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Company.

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Company's sensitivity to an increase in market interest rates and its impact on the net interest margin is as follows:

		Possible interest rate movements		
	Total interest repricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	233,607,168	194,673	389,345	584,019
1-3 months	12,527,236	31,318	62,636	93,954
3-12 months	50,722,688	507,227	1,014,454	1,521,681
Over 1 year	(39,924,792)	(399,248)	(798,496)	(1,197,744)
Total		**333,970**	**667,939**	**1,001,910**
Net interest income		**129,012,986**		
Impact on net interest income (2019)		**0.26%**	**0.52%**	**0.78%**
Impact on net interest income (2018)		0.94%	1.89%	2.83%

4.4 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders;
(ii) To maintain a strong capital base to support the current and future development needs of the business; and.
(iii) To comply with the capital requirements set by the Bank of Ghana.

4.4.1 Regulatory capital

The regulator, the Bank of Ghana, sets and monitors capital requirements for the Company as a whole. In implementing current capital requirements, the Bank of Ghana requires the Company to maintain a prescribed ratio of total capital to total risk-weighted assets. The Company's regulatory capital is analysed into two tiers:

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.4 Capital management (continued)

4.4.1 Regulatory capital (continued)

(i) Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax profit, income surplus and general statutory reserves.

(ii) Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital.

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

	2019	2018
Tier 1 capital		
Ordinary share capital	30,546,314	30,546,314
Income surplus	5,733,572	307,750
Statutory reserves	19,467,892	14,041,880
Total disclosed reserves	55,747,778	44,895,754
Less: other regulatory adjustments		
Intangible assets	(2,611,956)	(1,483,389)
Total tier 1 capital	53,135,821	43,412,365
Tier 2 capital		
Share based payment reserve	378,525	145,230
Subordinated Debt	22,629,853	17,000,000
Total tier 2 capital	23,008,378	17,145,230
Total regulatory capital	76,144,199	60,557,595
Risk-weighted assets	472,611,464	490,856,525
Capital adequacy ratio	16.11%	12.34%
Minimum requirement	10.00%	10.00%

(All amounts are in Ghana cedis unless otherwise stated)

4.5 Fair value of financial assets and liabilities

The fair value of a financial instrument 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. The table below sets out the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair values:

At 31 December 2019

	Amortised cost	Other liabilities amortised cost	Total	Fair value
Cash and cash equivalents	47,632,320	-	47,632,320	**47,632,320**
Other assets (excluding prepayments)	163,314	-	163,314	**163,314**
Loans and advances to customers	421,964,058	-	421,964,058	**421,964,058**
Total financial assets	**469,759,692**	**-**	**469,759,692**	**469,759,692**
Borrowings	-	270,878,772	270,878,772	270,878,772
Customer deposits	-	6,066,923	6,066,923	6,066,923
Collateral deposits		126,904,313	126,904,313	126,904,313
Other liabilities	-	18,684,394	18,684,394	18,684,394
Lease liabilities	-	1,693,878	1,693,878	1,693,878
Total financial liabilities	**-**	**424,228,280**	**424,228,280**	**424,228,280**

At 31 December 2018

	Amortised cost	Other liabilities amortised cost	Total	Fair value
Cash and cash equivalents	31,063,882	-	31,063,882	31,063,882
Other assets (excluding prepayments)	10,467,439	-	10,467,439	10,467,439
Loans and advances to customers	397,082,166	-	397,082,166	397,082,166
Total financial assets	438,613,487	-	438,613,487	438,613,487
Borrowings	-	246,354,763	246,354,763	271,868,444
Customer deposits	-	47,905,750	47,905,750	47,905,750
Collateral security deposits	-	84,593,884	84,593,884	84,593,884
Other liabilities	-	11,712,542	96,306,426	96,306,426
Total financial liabilities	-	390,566,939	390,566,939	416,080,620

(All amounts are in Ghana cedis unless otherwise stated)

4.5 Fair value of financial assets and liabilities (continued)

Loans and advances to customers

Loans and advances to customers are net of charges for impairment. The estimated fair value of the loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The estimated fair value of interest bearing deposits not quoted in an active market is based on discounted cash flows using current interest rates for the deposits.

Cash and cash equivalents

The carrying amounts of cash balances with banks are a reasonable approximation of fair values.

Amounts due to related parties

The carrying amounts due to related parties are a reasonable approximation of fair values.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

At 31 December 2019, the Company classified its financial assets as amortised cost. These are measured at amortised cost.

(All amounts are in Ghana cedis unless otherwise stated)

5. Cash and bank balance

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following:

	2019	2018
Cash in hand	302	22,647,242
Bank balance	47,632,018	8,416,641
Cash and bank balances	47,632,320	31,063,882
Bank overdraft (Note 18)	-	(10,358,972)
Cash and cash equivalents	47,632,320	20,704,910

6. Loans and advances to customers

	2019	2018
Neither past due nor credit impaired	379,000,682	376,107,989
Past due but not credit impaired	38,509,552	37,753,408
Credit impaired	59,926,742	58,750,067
Gross loans and advances to customers	477,436,976	472,611,464
Less expected credit loss	(55,472,918)	(75,529,298)
	421,964,058	397,082,166
Loans and advances to customers expected realisation		
Current	301,341,041	187,399,241
Non-current	120,623,017	191,682,925
	421,964,058	379,082,166

Gross carrying amount of loans and advances by stage measured at amortised cost is as follows:

	Mobile loans GHS	Payroll loans GHS	Smart cash loans GHS	Edusolutions GHS	Total GHS
Stage 1	128,376,200	248,462,223	-	2,162,259	379,000,682
Stage 2	25,296,243	13,213,309	-	-	38,509,552
Stage 3	28,228,473	28,583,214	3,115,055	-	59,926,742
	181,900,916	290,258,746	3,115,055	2,162,259	477,436,976

6.1. Impairment allowance for loans and advances to customers

Expected credit losses per product

	Mobile loans	Payroll loans	Smart cash loans	Edusolutions	Total
Stage 1	3,638,902	4,336,546		300,000	8,275,448
Stage 2	5,484,605	2047184			7,531,789
Stage 3	15,970,711	20579915	3,115,055		39,665,681
	25,094,218	**26,963,645**	**3,115,055**	**300,000**	**55,472,918**

Provision percentage of gross loans

	2019 %	2018 %
Payroll loans	9	8
Smartcash loans	100	67
Edusolution	14	10
Mobile loans	38	24

Less: Provision for impairment		
Collective impairment	15,807,235	49,443,493
Specific impairment	39,665,683	26,085,805
Total Impairment	55,472,918	75,529,298

Analysis of expected credit loss as at 31 December
An analysis of changes in the ECL allowances in relation to due from banks is, as follows:
2019

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	37,910,046	11,533,449	26,085,804	75,529,299
New assets originated or purchased	7,876,875	3,384,566	5,629,696	16,891,137
Transfers to Stage 1				-
Transfers to Stage 2	(6,854,321)	6,854,321	-	-
Transfers to Stage 3	(12,786,554)	-	12,786,554	-
Written off/ recovery	(17,870,598)	(14,240,547)	(4,836,373)	(36,947,518)
At 31 December 2019	8,275,448	7,531,789	39,665,681	55,472,918

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	6,724,266	1,983,630	3,690,804	12,398,700
New assets originated or purchased	31,185,780	9,549,819	22,125,000	63,130,599
Transfers to Stage 1				-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Written off/ recovery	-	-	-	-
At 31 December 2018	37,910,046	11,533,449	26,085,804	75,529,299

Reconciliation of allowance for loan losses

	2019	2018
1 January	**75,529,298**	12,398,700
Charge during the year	**(20,056,380)**	63,130,599
At 31 December	**55,472,918**	75,529,299

The Company's provision for impairment based on IFRS principles exceeded that required by the Bank of Ghana and therefore no amount has been set aside as credit risk reserve.

7. Other assets

Prepayments	3,255,775	1,483,389
Sundry debtors	163,315	10,467,439
	3,419,090	11,950,828

Prepayments consist of rentals for branches paid in advance. All other assets are current

8. Deferred commission expense

	2019	2018
Deferred merchant commissions**	-	6,203,904

**Deferred merchant commissions for the current year have been classified under loans and advances to customers. Below is the comparative for 2019

Deferred merchant commissions	4,080,859	6,203,904

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment

Year ended 31 December 2019	Motor vehicles	Computer equipment	Office equipment	urniture and fittings	Capital work in progress	Total
Cost						
At 1 January 2019	2,142,201	1,036,067	1,672,758	2,266,876	732,931	7,850,833
Additions	657,593	140,867	299,760	151,399	13,647	1,263,266
Disposals	(161,500)	-	-	-	-	(161,500)
At 31 December 2019	**2,638,294**	**1,176,934**	**1,972,518**	**2,418,275**	**746,578**	**8,952,599**
Accumulated depreciation						
At 1 January 2019	905,131	812,539	920,718	1,522,043	-	4,160,431
Charge for the year	732,833	181,684	298,714	497,661	-	1,710,891
Disposals	(161,500)	-	-	-	-	(161,500)
At 31 December 2019	**1,476,464**	**994,223**	**1,219,432**	**2,019,704**	-	**5,709,822**
Net book amount	**1,161,830**	**182,711**	**753,086**	**398,571**	**746,578**	**3,242,777**

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment (continued)

Year ended 31 December 2018	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Capital work in progress	Total
Cost						
At 1 January 2018	1,962,345	905,779	1,473,661	2,073,799	-	6,415,584
Additions	564,257	130,288	199,097	193,077	732,931	1,819,650
Disposals	(384,401)	-	-	-	-	(384,401)
At 31 December 2018	2,142,201	1,036,067	1,672,758	2,266,876	732,931	7,850,833
Accumulated depreciation						
At 1 January 2018	951,741	680,996	685,443	1,121,999	-	3,440,179
Charge for the year	214,088	131,543	235,275	400,044	-	980,950
Disposals	(260,698)	-	-	-	-	(260,698)
At 31 December 2018	905,131	812,539	920,718	1,522,043	-	4,160,431
Net book amount	1,237,070	223,528	752,040	744,833	732,931	3,690,401

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment (continued)

Disposal of property and equipment

	2019	2018
Cost	161,500	384,401
Accumulated depreciation	(161,500)	(260,698)
Net book amount	-	123,703
Proceeds from disposals	95,066	241,200
Gain on disposals	95,066	117,497

10. Right of use assets

Year ended 31 December 2019

The movement in respect of right of use assets is as follows;

	2019	2018
Cost		
At 1 January - effect of adoption of IFRS 16 (Note 2.1.1 (a)(i)	4,884,432	-
At 31 December	4,884,432	-
Accumulated depreciation		
At 1 January	-	-
Charge for the year	2,709,114	-
At 31 December	2,709,114	-
Net book amount	2,175,318	-

11. Intangible assets

Year ended 31 December 2019

The movement in respect of computer software cost is as follows;

	2019	2018
Cost		
At 1 January	1,734,073	1,519,714
Additions	2,769,029	214,359
At 31 December	4,503,102	1,734,073
Accumulated amortisation		
At 1 January	957,636	822,836
Charge for the year	933,510	134,800
At 31 December	1,891,146	957,636
Net book amount	2,611,956	776,437

(All amounts are in Ghana cedis unless otherwise stated)

12. Customer deposits

Term deposits	5,455,708	47,776,808
Smartsave deposits	611,215	128,942
	6,066,923	47,905,750

All amounts due to customers are current.

13. Other liabilities

	2019	2018
Payroll accrual	474,774	304,446
Withholding tax	958,237	547,934
Management fees	3,829,522	3,829,522
Other accrued expenses	17,251,383	7,030,640
	22,513,916	11,712,542
Current	22,513,916	11,712,542
Non-current	-	-

14. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019	2018
As at 1 January - effect of adoption of IFRS 16 (Note 2.1.1 (a)(i)	3,731,347	-
Accretion of interest	378,469	
Payment	(2,415,938)	-
At 31 December	1,693,878	-

The maturity analysis of lease liabilities are disclosed in Note 4.2 The Company had total cash outflows for leases of GHS2,415,938. The initial application of IFRS 16 resulted in noncash additions to right-of-use assets and lease liabilities of GHS4,884,432 and GHS3,731,347 respectively at 1 January 2019.

15. Collateral deposits

	2019	2018
Funding for mobile loans	126,904,313	84,593,884

Collateral deposits represent amounts earmarked for financing the mobile loans product. The Company may set off losses incurred from the product against the collateral deposits.

(All amounts are in Ghana cedis unless otherwise stated)

16. Deferred fee income

	2019	2018
Deferred initiation fees***	-	10,964,642

*** Deferred fee income for the current year have been classified under loans and advances to customers. Below is the comparative for 2019

	2019	2018
Deferred initiation fees	8,721,044	10,964,642

17. Income taxes

	2019	2018
Income tax expense		
Current income tax	3,867,909	11,541,253
National fiscal stabilisation levy	672,188	601,754
Deferred income tax expense/ credit	(1,882,055)	(9,680,231)
	2,658,042	2,462,776

Tax reconciliation

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% as follows:

	2019	2018
Profit before tax	13,443,755	12,035,070
Tax using the corporate tax rate of 25%	3,360,939	3,008,768
Tax effect of:		
Permanent differences	1,273,459	1,679,722
Allowable expenditure	(2,648,544)	(2,827,468)
National fiscal stabilisation levy	672,188	601,754
Tax charge per income statement	2,658,042	2,462,776

(All amounts are in Ghana cedis unless otherwise stated)

17. Income taxes (continued)

Current income tax

	At 1 January 2019	Charge to profit or loss	Payments in the year	At 31 December 2019
Year of assessment				
Up to 2018	16,419,230	-	-	16,419,230
2019	-	3,867,909	(6,113,848)	(2,245,939)
	16,419,230	3,867,909	(6,113,848)	14,173,291
National Stabilisation levy	-	672,188	-	672,188
Total tax	**16,419,230**	**4,540,097**	**(6,113,848)**	**14,845,479**

Year of assessment	At 1 January 2018	Charge to profit or loss	Payments in the year	At 31 December 2018
Up to 2017	4,473,146	-	-	4,473,146
2018	-	11,541,253	(196,923)	11,344,330
	4,473,146	11,541,253	(196,923)	15,817,476
National Stabilisation levy	-	601,754	-	601,754
	4,473,146	12,143,007	(196,923)	16,419,230

Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (2018: 25%).

The movement on the deferred income tax asset account is as follows:

	2019	2018
At 1 January	**12,206,177**	1,501,611
Credited to profit or loss	**1,882,055**	9,680,231
IFRS 9 transition impact	-	1,024,335
At 31 December	**14,088,232**	12,206,177

Deferred income tax assets/(liabilities) are attributable to the following:

	At 1 January 2019	(Charge)/ Credit to profit or loss	At 31 December
Deferred income tax liabilities			
Property and equipment	(206,837)	286,017	**79,180**
Deferred income tax assets			
Allowance for loan losses	12,360,873	1,507,355	**13,868,228**
Other timing differences	52,141	88,683	140,824
Net deferred income tax assets	12,206,177	1,882,055	**14,088,232**

(All amounts are in Ghana cedis unless otherwise stated)

17. Income taxes (continued)

The Company expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management on future business prospects.

	2019	2018
Deferred tax asset to be recovered within 12 months	181 259	52,141
Deferred tax asset to be recovered after more than 12 months	13,906,973	12,154,036
	14,088,232	12,206,177

18. Borrowings

	2019	2018
Note Program - (i)	244,477,572	235,995,791
Letshego Holdings Limited- (i)	22,571,678	-
Bank overdraft	-	10,358,972
	267,049,250	246,354,763
Current	46,652,542	57,376,441
Non-current	220,396,708	188,978,322

(i)

	At 1 January	Drawdown	Interest expense	Repayments	At 31 December
Year ended 31 December 2019					
Note Program	235,995,791	11,847,190	46,163,329	(49,528,738)	244,477,572
Letshego Holdings Limite	-	18,816,152	3,755,526	-	22,571,678
Year ended 31 December	235,995,791	30,663,342	49,918,855	(49,528,738)	267,049,250
Year ended 31 December 2018					
Note Program	99,261,192	165,307,000	27,206,756	(55,779,157)	235,995,791
Letshego Holdings Limite	-	44,046,500	2,875,276	(46,921,776)	-
	99,261,192	209,353,500	30,082,032	(102,700,933)	235,995,791

(All amounts are in Ghana cedis unless otherwise stated)

18. Borrowings (continued)

Note Program

The medium term notes program are senior unsecured bonds listed on the Ghana Fixed Income Market (GFIM) of the Ghana Stock Exchange. Interest is payable on the bonds bi-annually.

BondID	MaturityDate	Amount	Couponrate
Four-year bond			
AFB900	7-Apr-20	5,000,000	182-day+3.9%
Five-year bonds			
AFB1000	26-Sep-21	9,000,000	182-day+4.0%
AFB1400	11-Jul-22	18,783,500	182-day+6.0%
AFB1500	17-Jul-22	1,630,000	182-day+6.0%
AFB1300	30-Jun-22	7,621,000	182-day+6.0%
AFB1800	22-May-23	39,964,400	182-day+4.75%
AFB1900	3-Jul-23	4,726,000	182-day+5.0%
AFB2000	24-Sep-23	10,000,000	182-day+5.0%
AFB2200	16-Oct-23	21,310,000	182-day+5.0%
AFB2400	30-Jan-24	8,000,000	182-day+6.0%
AFB2500	2-Jun-24	3,159,000	182-day+6.0%
Six-year bonds			
AFB1600	16-May-25	24,000,000	19.10%Fixed
AFB1700	22-May-24	42,609,600	182-day+5.0%
AFB2100	1-Oct-24	3,518,000	182-day+5.0%
AFB2300	16-Oct-24	19,179,000	182-day+6.0%
Seven-year bonds			
AFB1100	3-Mar-24	8,941,158	182-day+4.25%
AFB1200	20-Mar-24	6,888,760	182-day+4.25%
Total		234,330,418	

(All amounts are in Ghana cedis unless otherwise stated)

The floating coupon rates are referenced to the 182-day treasury rate issued by the Bank of Ghana.

The company has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

Letshego Holdings Limited Loan

The Letshego Holdings Limited loan is a one-year GHS denominated facility advanced by the parent company. The loan attracts interest at 20% per annum and payable at the end of the loan term.

19. Stated capital

The authorised shares of the Company is 10,000,000 ordinary shares of no par value, out of which 9,453,968 have been issued as follows:

	Number of shares	Proceeds
Issued for cash consideration	9,453,968	30,546,314

There was no change in stated capital during the year.

There are no unpaid liability on shares at the reporting date. There were no shares held in treasury at year end (2018: Nil).

20. Earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares calculated as follows:

	2019	2018
Profit attributable to equity holders	10,785,713	9,572,294
Weighted average number of shares issued	9,453,968	9,453,968
Basic earnings per share	1.14	1.01
Diluted earnings per share	1.14	1.01

21. Retained earnings

The retained earnings represent earnings retained by the Company. The retained earnings is shown as part of statement of changes in equity.

22. Statutory reserves

This is a non-distributable reserve representing transfer of 50% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 34 of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

(All amounts are in Ghana cedis unless otherwise stated)

23. Share based payment reserve

Shares granted in terms of the Long-Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the Group. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the Company.

As at 31 December 2019,1,603,800 total awards were outstanding (2018: 841,100) at grant date share price of GHS 0.236 for 2019 awards (2018: GHS 0.173).

	31 December 2019		31 December 2018	
	Fair values	Number of awards	Fair values	Number of awards
Reconciliation of outstanding awards				
Outstanding at beginning of the period	145,230	841,100	40,680	223,500
Granted during the year	233,295	762,700	104,550	617,600
Exercised during the year	-	-	-	-
Forfeited due to not meeting performance	-	-	-	-
Forfeited due to resignations	-	-	-	-
Outstanding at the end of the year	378,525	1,603,800	145,230	841,100

The amounts outstanding at 31 December 2019 have average vesting periods of 24 months. The expense recognised during the period is disclosed in note 26.

The vesting conditions for the Company's Long-Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly, the share price of Letshego Holdings Limited, the parent company (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted.

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the parent company's shares at the grant date.

24. Interest income

	2019	2018
Loans and advances to customers	308,903,535	180,268,756
Bank deposits	694,837	1,637,782
	309,598,372	181,906,538

25. Interest expense

	2019	2018
Note Program (note 18)	46,163,329	30,032,805
Related party loan (note 18)	3,755,527	2,875,276
Interest expense on mobile loan collateral	125,188,767	38,284,258
Bank overdraft	-	295,633
Customer deposits	5,099,293	5,669,005
Interest expense on lease liabilities	378,469	-
	180,585,385	77,156,977

(All amounts are in Ghana cedis unless otherwise stated)

26. Fee income

	2019	2018
Initiation fees	8,393,252	5,668,834
Insurance commissions	5,448,159	4,404,461
Other fees	-	331,581
	13,841,411	10,404,876

27. Commission expenses

Merchant commissions	9,803,788	6,094,053
Collection commissions	29,617,392	20,131,963
	39,421,180	26,226,016

28. Impairment charge on loans and advances

Analysis by product		
Payroll	7,724,608	7,629,689
Smart cash	1,036,230	767,738
Edusolution	134,768	165,233
Mobile loans	(28,951,986)	32,825,024
Other financial assets	-	322,701
	(20,056,380)	41,710,385
Irrecoverable debts written-off	84,421,413	11,621,384
Debts recovered	(14,701,661)	(2,289,204)
	49,663,372	51,042,565

Irrecoverable debts written-off

This consist of write off based on the company's policy across all products. The business continues to engage with the customers to recover these amounts. The recovered amounts are captured as debts recovered in profit and loss.

The Company's provision for impairment based on IFRS principles exceeded that required by the Bank of Ghana and therefore no transfers were made to the credit risk reserve.

29. Personnel costs

Wages and salaries	6,162,920	6,746,993
Employer pension contributions	992,425	800,856
Share based payment	233,295	104,550
Staffs incentives and bonus	330,000	-
Other staff related costs	4,071,645	2,832,907
	11,790,285	10,485,306

(All amounts are in Ghana cedis unless otherwise stated)

30. Operating expenses

Operating expenses include the following:		
Management fees	-	1,654,962
Depreciation and amortisation	5,457,386	1,104,810
Auditor's remuneration	288,000	241,863
Net foreign exchange (gain)/loss	1,325,322	583,612
Directors' remuneration	248,758	260,400
Advertisement	880,874	1,106,397
Office expenses	1,902,072	1,600,555
Bad debt	3,187,874	-
Professional fees-	8,081,204	1,162,485
Other operating expense	2,758,858	3,207,333
Telephone &internet expense	1,584,238	1,611,866
Travel and Accommodation	797,946	747,158
Utility	516,651	583,363
Donation	31,672	108,254
Insurance	69,372	-
Repairs and maintenance	1,190,827	1,047,580
Fuel, oil and lubricants	306,752	344,842
	28,627,806	15,365,480

31. Cash generated from/ (used in) operating activities

Operating activities	2019	2018
Profit before tax	13,443,755	12,035,070
Depreciation of property and equipment (Note 9)	1,710,891	980,951
Depreciation of right of use assets (Note 10)	2,709,114	-
Amortisation of intangible assets (Note 11)	933,510	134,800
(Gain)/loss on disposal of property and equipment (Note 9)	(95,066)	(117,497)
Interest on bonds and intercompany loan (Note 25)	49,918,856	32,908,081
Interest expense on lease liabilities (Note 25)	378,469	-
Impairment charge on loans and advances	49,663,372	51,042,565
Increase in loans and advances to customers	(36,078,002)	(284,322,26
Decrease/(increase) in other assets	8,531,739	(8,988,680)
Decrease/ (increase) in deferred commission expense	-	(6,203,904)
(Decrease)/ increase in customer deposits	(41,838,827)	37,233,815
Increase in other liabilities	10,801,374	6,531,764
(Decrease)/ increase in mobile loan collateral funding	(2,052,653)	71,721,602
Decrease/ increase in deferred fee income	-	6,527,619
Increase in share-based payment reserve	233,294	104,550
Cash flow from/ (used in) operating activities	58,259,826	(84,508,866)

(All amounts are in Ghana cedis unless otherwise stated)

32. Related party transactions

The related party transactions are as follows:

Loan from related party		
Letshego Holdings Limited	22,645,674	44,046,500
Interest payment to related party		
Letshego Holdings Limited	3,755,526	2,875,276

Details of related party balances are as follows:

Management fees		
Letshego Holdings Limited	-	3,829,522

Key management personnel compensation

Remuneration is paid to directors in the form of fees to non-executive directors and salaries to directors of the Company. Directors' emoluments are disclosed in note 28.

	2019	2018
Fees for services as directors	228,438	260,400

33. Contingent liabilities

There were no contingent liabilities at 31 December 2019 (2018: Nil).

34. Capital commitments

There were no capital commitments at 31 December 2019 (2018: Nil).

35. Events after reporting period

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause and the series of events that led to the shutdown is not the outbreak itself, but rather the measures taken by the government of Ghana. As a result, the event is considered a non-adjusting event and cannot be reflected in the Company's assets and liabilities as at 31 December 2019.