LETSHEGO GHANA SAVINGS AND LOANS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

CORPORATE INFORMATION

Directors	Mr Blaise Mankwa	Chairman
	Mr Arnold Kobina Parker	Member
	Mr Ibrahim Obosu	Member
	Mr. Geoffery Kitakule	Non-Executive Director

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
Ernst & Young
Chartered Accountants
15 White Avenue
Airport Residential Area
P. O. Box 16009
Airport, Accra

Bankers
UMB Bank
ABSA Ghana 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 2020.

Principal activities

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

Deduction at Source Loans	Mobile	Edusolution
Letshego Ghana provides unsecured deduction at source loans to Government and corporate employees in Ghana. Loan values range in value from GHS 100 to GHS 100,000. 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	LetsGo	
In our quest to help protect our customers' family in the event that life throws unexpected circumstances their way, we offer easy-to-understand, affordable credit life insurance on selected products. Risks currently covered include: ‣ Life ‣ Accidental death ‣ Disability ‣ Critical illness ‣ Retrenchment	LetsGo is our all-in-one transactional account currently accessible via USSD. Customers are able to; • deposit funds from all mobile wallets • withdraw funds to all mobile wallets • buy airtime, make bill payments • transfers funds to other LetsGo users	

REPORT OF THE DIRECTORS (CONTINUED)

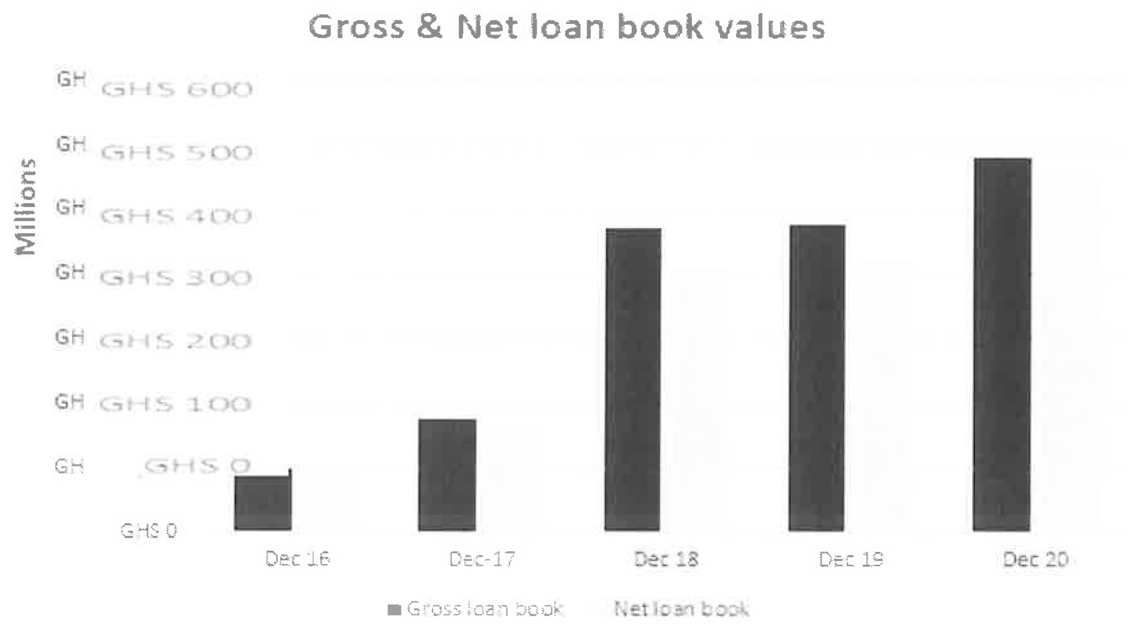
5-year company analysis

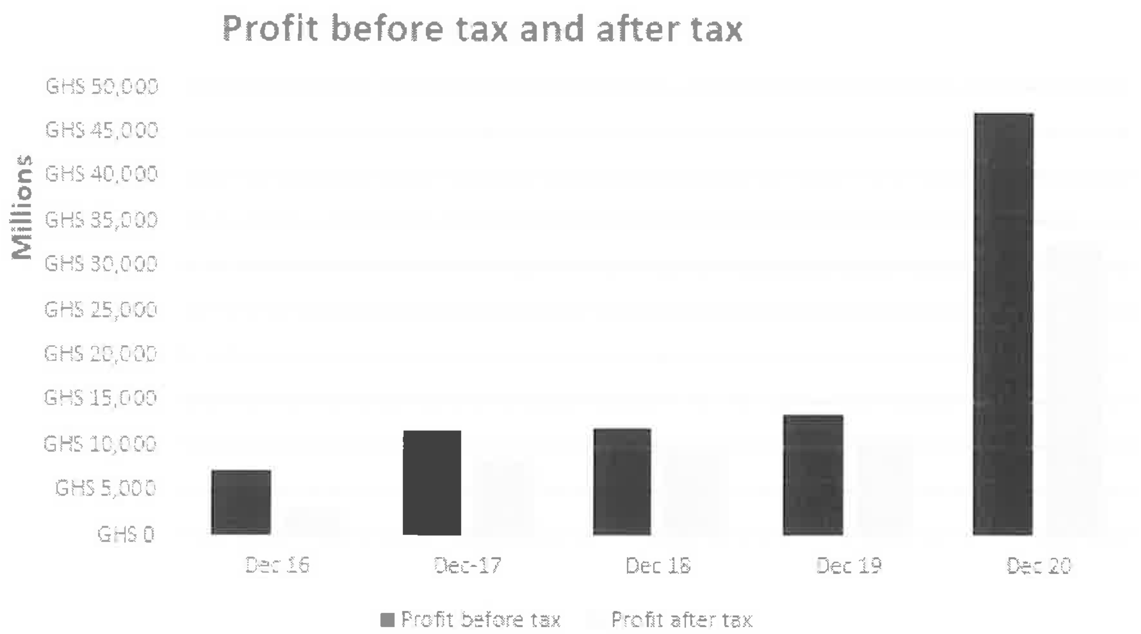
GHS ' 000

	DEC-16	DEC-17	DEC-18	DEC-19	DEC-20
Net Interest Income	GHS 36,935	GHS 42,772	GHS 104,750	GHS 129,013	GHS 79,697
fee Income	GHS 7,338	GHS 6,657	GHS 10,405	GHS 13,841	GHS 19,983
Profit before tax	GHS 7,180	GHS 11,809	GHS 12,035	GHS 13,444	GHS 47,184
Net loan book	GHS 91,680	GHS 163,802	GHS 397,082	GHS 421,964	GHS 552,484

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, its headquarters is based in Gaborone, Botswana, and publicly listed on the Botswana Stock Exchange since 2002.

Financial results

The financial results for the year ended 31 December 2020 are set out below:

	GHS
Profit before tax	47,184,044
From which is deducted income tax expenses of	(14,570,174)
giving a profit for the year after income tax of	32,613,870
from which is deducted transfer to statutory reserve of	(16,306,935)
and income surplus account brought forward of	5,700,417
leaving an income surplus amount carried forward of	22,007,352

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2020 (2019: nil).

REPORT OF THE DIRECTORS (CONTINUED)

Board meetings

The Company's Board met three times in 2020. The record of attendance is provided below:

Name	March 2020	July 2020	December 2020
Mr. Blaise Mankwa	√	√	√
Mr. Arnold Kobina Parker	√	√	√
Mr. Ibrahim Obosu	√	√	√
Mr. Geoffery Kitakule	√	√	√

Audit and Risk Committee meetings

The Company's Board Audit and Risk Committee met in 2020. The record of attendance is provided below:

Name	July 2020	December 2020
Mr. Blaise Mankwa	√	√
Mr. Arnold Kobina Parker	√	√
Mr. Geoffery Kitakule	√	√

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 supply of PPE's to hospitals during the Covid 19 pandemic. The cost of the items donated is Ghs49,980.

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 Saving and Loans PLC in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992). As at 31 December 2020, the amount payable in respect of audit fees was GH¢ 330,000.

The Impact of COVID-19 on Letshego Ghana Savings and Loans

Letshego Ghana Savings and Loans over the years has maintained high level of commitment in providing financial support to customers through the provision of simple, affordable and innovative solutions with the aim of improving lives. The sudden emergence and outbreak of the global COVID-19 pandemic in Ghana disrupted the general business operations of many firms and our business was not exempted.

In the month of March 2020 when the first confirmed cases were announced in Ghana, many businesses reacted swiftly to cut operational costs due to the projected impact on earnings especially for the service industries.

Letshego Ghana Savings and Loans' initial response was to immediately implement the existing Business Continuity Management plans across its entire business. We also activated remote working to safeguard the health of staff and our customers in our quest to ensure business continuity and build the resilient skills of staff whilst working from home.

That notwithstanding, the increasing uncertainties surrounding the COVID-19 outbreak coupled with the lockdown directive of the government of Ghana at the end of March, 2020 led to major operational disruptions in the general conduct of the business and increased operational cost.

Foremost of the impact of COVID-19 was the imminent growth of NPLs on the MSE (Medium to Small Scale Enterprises) portfolio due to non-payment and under-payment of expected monthly instalments from schools. Following the abrupt closure of all schools by the Government of Ghana on March 16, 2020, in response to the fight against the COVID-19 pandemic, cash flows of these schools were seriously affected. Other sources of income for the schools were all negatively affected rendering the school's incapable of funding their instalments. The general impact of covid on businesses in the economy also resulted in the loss of job of some parents making it very difficult to pay schools fees. In line with our Improving lives mantra, Letshego put the entire School loan portfolio on repayment holiday for the rest of the year. It further granted additional loans to some select schools to assist in paying teacher salaries.

Following the announcement of the lockdown by the government of Ghana, the business had to limit marketing initiatives and in-person interaction. It was at this time that the business witnessed further uptake of its digital channel's offerings by its ever-growing client base.

The investments made in the procurement of IT logistics and remote working capabilities for all staff will begin to yield fruits within a few months as the business then began to witness record disbursements, all being processed digitally. The business would go on to record its best year in profitability as a result of all the measures put in place for Business Continuity at the onset of the pandemic.

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: Blair Ofoe Mankwa

Date: April 28th, 2021

Signature:

Name of Director:

April 28th 2021

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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 74, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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¢16,812,700 has been recorded in the statement of profit or loss and other comprehensive income for the year as a credit recovery. The total impairment provision held as at 31 December 2020 in accordance with IFRS 9 impairment rules was GH¢ 29,934,548. Further disclosures relating to these amounts and the Bank's accounting policies regarding estimating these ECLs have been disclosed in note 7 and note 4 respectively of these financial statements.	We 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 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 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.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the 74-page document titled "Letshego Ghana Savings and Loans Plc. Annual Report and Financial Statements for the year ended 31 December 2020", other than the financial statements and our auditor's reports 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, 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.

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.

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- 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/2021/126)
Chartered Accountants
Accra, Ghana

Date: 30-04-2024

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in Ghana cedis)

		At 31 December	
		2020	2019
Assets	Note		
Cash and bank balances	5	**69,105,279**	47,632,320
Investment securities	6	**37,105,200**	-
Loans and advances to customers	7	**552,484,130**	421,964,058
Other assets	8	**3,602,589**	3,419,090
Deferred income tax asset	16	**16,735,151**	14,088,232
Property and equipment	9	**2,983,606**	3,242,777
Right of use assets	10	**1,300,730**	2,175,318
Intangible assets	11	**1,521,313**	2,611,956
Total assets		**684,837,998**	495,133,751
Liabilities			
Customer deposits	12	**27,772,825**	6,066,923
Collateral Deposits	15	**141,890,098**	126,904,313
Other liabilities	13	**29,732,155**	22,513,916
Lease liabilities	14	**5,754**	1,693,878
Current income tax	16	**25,760,043**	14,845,479
Borrowings	17	**370,638,674**	267,049,250
Total liabilities		**595,799,549**	439,073,759
Equity			
Stated capital	18	**30,546,314**	30,546,314
Retained earnings	20	**22,007,352**	5,700,417
Statutory reserves	21	**35,741,671**	19,434,736
Share based payment reserve	22	**743,112**	378,525
Total equity		**89,038,449**	56,059,992
Total liabilities and equity		**684,837,998**	495,133,751

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

The financial statements on pages 14 to 74 were approved by the Board of Directors on April 28th 2021 and signed on its behalf by:

Signature:　　　　　　　　**Signature:**

Name of Director: Blaise Ofori Markus.　　**Name of Director:** ARNOLD PARKER

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2020	2019
Interest income	23	**226,085,339**	309,598,372
Interest expense	24	**(146,388,482)**	(180,585,385)
Net interest income		**79,696,857**	129,012,987
Fee income	25	**19,983,466**	13,841,411
Commission expenses	26	**(22,540,348)**	(39,421,180)
Net fee and commission expense		**(2,556,882)**	(25,579,769)
Other Operating income	27	**167,700**	92,000
Operating income		**77,307,675**	103,525,218
Impairment recovery/(charge)	28	**16,812,700**	(49,663,372)
Personnel costs	29	**(13,907,771)**	(11,790,285)
Operating expenses	30	**(33,028,560)**	(28,627,806)
Profit before tax		**47,184,044**	13,443,755
Income tax expense	16	**(14,570,174)**	(2,658,042)
Profit for the year		**32,613,870**	10,785,713
Other comprehensive income		-	-
Total comprehensive income for the year		**32,613,870**	10,785,713
Earnings per share			
Basic and diluted (Ghana cedis) 19		**3.45**	1.14

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

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in Ghana cedis)

	Stated capital	Income surplus account	Statutory reserves	Share based payment reserve	Total
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
Year ended 31 December 2019	**30,546,314**	**5,700,417**	**19,434,736**	**378,525**	**56,059,992**
At 1 January 2020	30,546,314	5,700,417	19,434,736	378,525	56,059,992
Total comprehensive income	-	32,613,870	-	-	32,613,870
Transfer to statutory reserves	-	(16,306,935)	16,306,935	-	-
Share based payment reserve	-	-	-	364,587	364,587
At 31 December 2020	**30,546,314**	**22,007,352**	**35,741,671**	**743,112**	**89,038,449**

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

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities	31	20,734,040	58,258,826
Interest paid	17	(50,405,877)	(45,528,738)
Income tax paid	16	(6,302,529)	(6,113,853)
Net cash (used in)/from operating activities		(35,974,366)	6,617,235
Cash flows from investing activities			
Purchase of property and equipment	9	(1,070,109)	(1,263,266)
Purchase of Treasury Bonds	6	(37,105,200)	-
Proceeds from disposal of property and equipment	9	176,339	95,066
Purchase of intangible assets	11	-	(2,769,029)
Payment for right of Use of assets		(1,894,811)	-
Net cash used in investing activities		(39,893,781)	(3,937,229)
Cash flows from financing activities			
Drawdown from borrowings	17	152,659,432	30,663,342
Repayment of borrowings	17	(53,445,764)	(4,000,000)
Lease liability payment	14	(1,872,562)	(2,415,938)
			-
Net cash generated from financing activities		97,341,106	24,247,404
Net decrease in cash and cash equivalents		21,472,959	26,927,410
Cash and cash equivalents at 1 January 2020		47,632,320	20,704,910
Cash and cash equivalents at 31 December	5	69,105,279	47,632,320

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

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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)

Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 *Financial Instruments* - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

IAS 41 *Agriculture* - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Bank.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

2. Summary of significant accounting policies (continued)

2.1 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.

2.3 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.

2. Summary of significant accounting policies (continued)

2.3.1 Financial assets (continued)

Measurement methods (continued)

Amortised cost and effective interest rate (continued)

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:

(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:

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)

- *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.

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

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

(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).

(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.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Financial guarantee contracts and loan commitments (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.2 Financial liabilities (continued)

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

2.3.4 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. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.7 Identification and measurement of impairment (continued)

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.

2.4. 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)

2.4. 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.

2.4.2. 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.

2.5 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)

2.6 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.

2.7 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.

2.8 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)

2.9 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.

2.10 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)

2.11 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.

2.12 Stated capital

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

2.13 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.

2.14 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.

2.15 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 expense 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)

2.15 Share-based payment transactions (continued)

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

2.16 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.

2.17 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

4.1 In line with the Country's ERM framework, financial risk includes credit risk, liquidity risk, interest rate risk and foreign currency rate risk.

4.1 .1 Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The country is exposed to credit risk from a number of financial instruments such as loans and inter-bank transactions.

Key metrics	YoY Trend	2020	2019
Loan loss Rate (%)		-3.2%	13.3%
Non-performing loans as a percentage (%) of gross advances		2.4%	9.5%
Non-performing loans coverage ratio (%)		47.9%	217%

Impairment

In 2020, the company prioritised improvement in asset quality and scorecard optimization for the mobile porfolio, this resulted in a material impact on the underlying IFRS 9 model. Ghana Qwikloans portion of FY 2020 impairment charge is a write back of GHS-5.9m against a budget of GHS 7.1m charge and was also at GHS 69.0m at the same time last year. With on-going credit scorecard optimization, mobile loans provisions decreased by GHS 57 million, with the portfolio enjoying increased stability and continued and continued enhancement in credit risk management.

Write-off policy

The Company write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third-party collection partners. The Company write offs an account when in Contractual deliquency 12 (CD12) i.e. 12 payments in arrears and the policy hasn't been changed with the implementation of IFRS 9 in the prior year. Write off point analysis was done in view of write off being a derecognition under IFRS 9 and this resulted in no change in policy .

Approach to managing credit risk

The Board of Directors is ultimately responsible for the management of credit risk and has delegated responsibility for the oversight of credit risk to the Company Risk Management Committee and Company Management Committees. It is the responsibility of Company Credit Risk and each CEO to ensure that the Company's policies regarding credit risk, credit scoring, collateral contribution, affordability levels and minimum take home pay is complied with at all times. The Company manages credit risk in accordance with its credit risk policies, guidelines and procedures which provide for the maintenance of a strong culture of responsible lending that promotes inclusive finance.

4 Financial risk management (continued)

4.1. Credit risk (continued)

Credit risk mitigation

The company offers credit insurance to all its clients, which covers the repayment of the outstanding capital balances on the loan to company in the event of death or permanent disability of the customer. In addition, comprehensive insurance cover is in place in certain markets covering such risks as loss of employment, employer default, absconding and even temporary disability. Further to this, for part of the customer advances portfolio that is not extended through deduction from source, the Company applies Credit scoring and customer education in advance of the extension of credit to customers and conduct regular reviews of the credit portfolio.

- Company writes off loans which have remained in the loss category for four consecutive quarters.
- Company will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances.
- Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/death/theft/accidents/changes in Government policies.
- Restructured loans are treated as non-performing, for provision purposes only, until 6 consecutive payments have been received.
- No loan may be restructured more than twice (system controlled). Loans restructured a second time are classified as "loss" and provisions raised accordingly.
- There are no additional charges applied to restructured loans.
- Customers cannot take a 'top up' loan if they are in arrears

Letshego Ghana does rephase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Rephasement involves altering the end date of the loan but not the number of repayments or the loan amount.

Credit risk stress testing

The Company recognizes possible events or future changes that could have a negative impact on the credit portfolios and affect the Company's ability to generate more business. Stress testing is important for our subsidiaries and risk management and now forms an integral part of our overall governance and risk culture in the Company. This feeds into the decision-making process at management and Board level.

4 Financial risk management (continued)

4.1. Credit risk (continued)

The overlay approach to IFRS 9 followed by the Company is outlined below:

General steps considered in applying IFRS 9 Impairment
The following steps illustrates the general steps that the Company considers when calculating IFRS 9 Impairment.

1. Establish the appropriate definition of default
2. Determine the level of assessment (individual vs. collective assessment)
3. Determine indicators/measures of significant increase in credit risk
4. Define the thresholds for significant increase in credit risk
5. Determine whether the "low credit risk assumption" will be applied to certain loans
6. Identify relevant forward-looking information and macro-economic factors
7. Identify appropriate sources of relevant forward-looking information and macro-economic factors
8. Incorporate forward-looking information and multiple scenarios in staging assessments of loans
9. Stage loans based on the forward-looking assessment of significant increase in credit risk
10. Determine the method to be used for measuring Expected Credit Losses
11. Determine the estimation period - the expected lifetime of the financial instrument
12. Establish the respective Probability of Default for loans in Stage 1 and Stage 2
13. Calculate the Exposure at Default
14. Identify relevant collateral and credit enhancements
15. Develop calculations for Loss Given Default (incorporating collateral and credit enhancements)
16. Consider the time value of money and calculate Expected Credit Losses
17. Identify modifications that occurred during the period and determine if each modification results in derecognition or not derecognition
18. Calculate the modification gain or loss and include/add it to the gross carrying amount of the loan
19. Establish and document the appropriate processes, internal controls and governance for estimating Expected Credit Losses (ECL)

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements taken into consideration are as below;
Determining a significant increase in credit risk since initial recognition (SIRC)

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).The company assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

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

4.1. **Credit risk (continued)**

Impairment Calculation (continued)

Indicators of SICR include any of the following:

- 30 days past due rebuttable presumption;
- historical delinquency behaviour of accounts that are up to date and accounts in 1-30 days category
- significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer, closure of the sponsoring employer, etc.

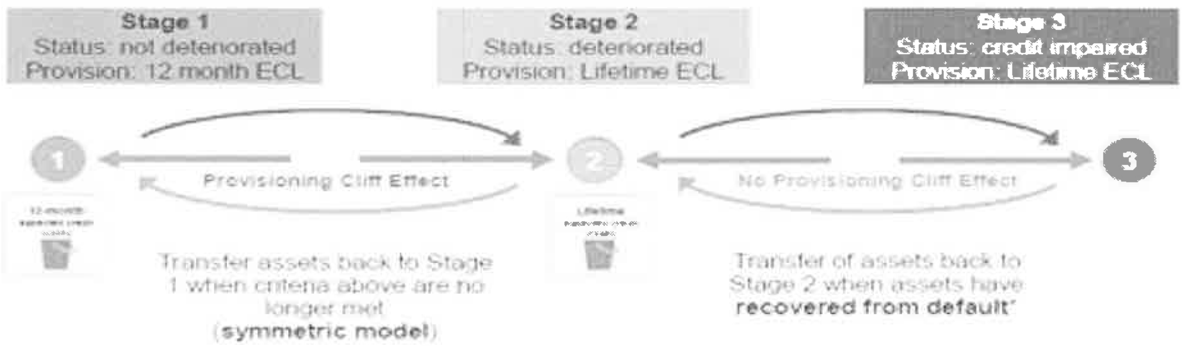
Two types of PDs are considered under IFRS 9:

- Twelve-month PDs – This is the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL, which are applicable to Stage 1 financial instruments.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument which is applicable to Stage 2.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

The IFRS 9 requirements for the staging of loans is summarised in the two diagrams below:

Diagram 1

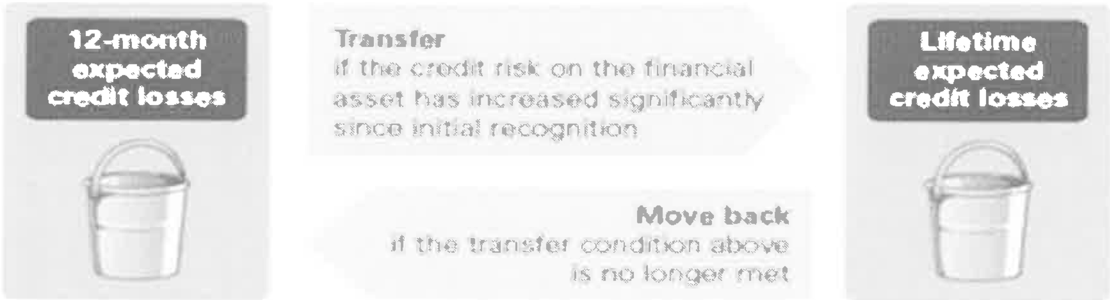


4 **Financial risk management (continued)**

4.1. **Credit risk (continued)**

Impairment Calculation (continued)

Diagram 2



- Stage 1: relates to a 12-month ECL allowance on financial assets that are neither credit impaired on origination nor for which there has been a SICR.
- Stage 2: relates to a lifetime ECL allowance on financial assets that are assessed to display a SICR since origination.
- Stage 3: relates to a lifetime ECL allowance on financial assets that are assessed to be credit impaired.

- ***Quantitative element***
  With the use of an internal scorecard or risk rating process, the Company can assess significant increases in credit risk in their loans and advances. This involves setting thresholds for determining what constitutes a significant increase in credit risk as a loan moves along the rating scale. Once the scorecard or risk rating has been determined, the Company can then determine the PD associated with those ratings.

- ***Qualitative element***
  Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

- ***Backstop Criteria***
  Accounts that are 30 calendar days or more past due. The 30 days past due criteria should be treated as a backstop rather than a primary driver of moving exposures into stage 2.

  Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

- ***Forward - Looking information***

  The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using 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. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

4 **Financial risk management (continued)**

4.1. **Credit risk (continued)**

Impairment Calculation (continued)

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).

All macro economic factors used will be approved at high level by the credit committee. This is also based on the correlation exercises done.

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- Unemployment rates
- Consumer Price Index
- Gross Domestic Product (GDP)

The working group approved the three core factors as the starting point for all regression calculations. Management overlays on Macroeconomic variables will only apply in cases were the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default, credit impaired assets, write-offs, and interest income recognition

Default is not defined under IFRS 9.The company bases default upon its own definition used in its internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.

The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g., breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.

Indications of inability to pay include:

- the credit obligation is placed on non-accrued status;
- the company makes a specific provision or charge-off due to a determination that the obligor's credit quality has declined (subsequent to taking on the exposure);
- the company sells the credit obligation or receivable at a material credit related economic loss;
- the company agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- the company has filed for the obligor's bankruptcy in connection with the credit obligations; and
- the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.

There is a rebuttable presumption within IFRS 9 that default does occur once a loan is more than 90 days past due. The Company has adopted this presumption.

(All amounts are in Ghana cedis unless otherwise stated)

4 **Financial risk management (continued)**

Discounting
Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

Modelling Techniques
Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate. For the IFRS 9 impairment assessment, Ghana Impairment Models are used to determine the PD, LGD and EAD. For stage 2 and 3, the company applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated Loans Treatment
Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as stage 2. The minimum probationary period is 6 months to move to cure state.

Maximum exposure to Credit Risk

a.	Bank Balances		Loans & advances to customers		Investment securities	
	2020 GH¢'000	2019 GH¢'000	2020 GH¢'000	2019 GH¢'000	2020 GH¢'000	2019 GH¢'000
At amortised cost						
Stage1	69,105,279	47,632,017	521,175,961	379,000,682	37,105,200	
Stage2	-	-	17,900,258	38,509,552		-
Stage3	-	-	43,342,459	59,926,742		
Total gross amount	**69,105,279**	**47,632,017**	**582,418,678**	**477,436,976**	**37,105,200**	-
Allowance for impairment	-	-	(29,426,734)	(55,472,918)	-	-
Net carrying amount	**69,105,279**	**47,632,017**	**552,991,944**	**421,964,058**	**37,105,200**	-

4 Financial risk management (continued)

b. Loans and advances to customers

31 December 2020	Gross advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net advances
Mobile	170,268,019	(1,472,536)	(4,081,012)	(2,702,753)	162,011,718
Payroll	409,591,453	(8,621,408)	(1,352,950)	(11,196,075)	388,421,021
Smartcash Loans	-	-	-	-	-
Edusolution	2,559,207	(46,873)	(152,301)	(308,642)	2,051,391
Total at 31 December 2020	**582,418,678**	**(10,140,817**	**(5,586,263)**	**(14,207,470)**	**552,484,130**

31 December 2019	Gross advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net Advances
Mobile	181,900,916	(3,638,902)	(5,484,605)	(15,970,711)	156,806,698
Payroll	290,258,746	(4,336,546)	(2,047,184)	(20,579,915)	263,295,101
Smartcash Loans	3,115,055	-	-	(3,115,055)	-
Edusolution	2,162,259	(300,000)	-	-	1,862,259
Total at 31 December 2019	477,436,976	-8,275,448	-7,531,789	-39,665,681	421,964,058

Below is a summary of the expected credit losses as at 31 December 2020:

Operating Segments 31 December 2020 Ghs	IFRS 9 ECL Provisions at 31 December 2020				IFRS 9 ECL Provisions at 31 December 2019			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance - not credit-impaired	Stage 3: Lifetime ECL allowance - credit-impaired	Total ECL on 31 December 2020	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance - not credit-impaired	Stage 3: Lifetime ECL allowance - credit-impaired	Total ECL on 31 December 2019
Financial assets								
Ghana	(8,256,301)	(21,170,433)	(507,816)	(29,934,550)	8,275,448	7,531,789	39,665,681	55,472,918
Total	-8,256,301	-21,170,433	-507,816	-29,934,550	8,275,448	7,531,789	39,665,681	55,472,918

(All amounts are in Ghana cedis unless otherwise stated)

4 Financial risk management (continued)

4.1. Credit risk (continued)

	At 31 December 2020 (IFRS 9)	At 31 December 2019 (IFRS 9)
Gross advances to customers	**582,418,678**	**477,436,976**
Of which stage 1 and 2	539,076,219	417,510,234
Of which stage 3	43,342,459	59,926,742
Expected credit loss provisions	**(29,934,550)**	(55,472,918)
Of which stage 1 and 2	(29,426,734)	(15,807,237)
Of which stage 3	(507,816)	(39,665,681)
Net advances to customers	**552,484,128**	421,964,058
Of which stage 1 and 2	509,649,485	401,702,997.00
Of which stage 3	42,834,643	20,261,061.00
Impairment (ECL) Coverage Ratio	5%	3.78%
Stage 3 coverage ratio	**1.2%**	66.2%

As a predominantly Government Deduction at Source (DAS) business, Letshego Ghana was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that the government had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends. As such our collection rate was 97% for DAS. This was demonstrated by a double-digit loan book growth, loan loss rate and Stage 3 ratio which are well below market trends.

This was underpinned by strong collection and recoveries strategies inclusive of experienced front-office, risk management teams with sector expertise and long-standing government/customer relationships.

(All amounts are in Ghana cedis unless otherwise stated)

4 Financial risk management (continued)

4.1. Credit risk (continued)

Maximum exposure to Credit Risk

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:

	2020	2019
Payroll loans	409,591,453	290,258,748
Smartcash loans	-	3,115,055
Edusolution	2,559,207	2,162,259
Mobile loans	170,268,019	181,900,916
Gross loans and advances to customers	582,418,678	477,436,976
Impairment	(29,934,548)	(55,472,918)
Carrying amount	552,484,130	421,964,058

Concentration by customer segment:	2020	2019
Formal	412,150,660	295,536,058
Informal	170,268,678	181,900,918
Gross loans and advances to customers	582,418,678	477,436,976
Impairment	(29,934,548)	(55,472,918)
Carrying amount	552,484,130	421,964,058

Loans and advances to customers	**Loans and advances**	**Loans and advances**
Neither past due nor impaired	521,175,961	379,000,682
Past due but not impaired	17,900,258	38,509,552
Impaired	43,342,459	59,926,742
Gross	**582,418,678**	**477,436,976**
Impairment loss	(29,934,548)	(55,472,918)
Carrying Amount	**552,484,130**	**421,694,058**

(All amounts are in Ghana cedis unless otherwise stated)

4 Financial risk management (continued)

4.1. Credit risk (continued)

An analysis of changes in the ECL allowances in relation to loan and advances is as follows:

	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount as at 1 Jan 2020	8,275,448	7,531,789	39,665,681	55,472,918
New Asset Originated or Purchased	2963844.88	5,491,472	309,182	8,764,499
Assets derecognised or repaid (excluding write offs)	(4,868,454)	(4,317,308)	(29,963,833)	(39,149,595)
Re -measurement of loss allowance	1,572,335	1,431,040	1,843,351	4,846,726
Transfer to Stage 1				-
Transfer to Stage 2	-	199,540	-199,540	-
Transfer to Stage 3	-	422,415	-422,415	-
Written off/recovery		-	-	-
At 31 December 2020	7,943,174	10,758,948	11,232,426	29,934,548
Gross Carrying amount as at 1 Jan 2019	37,910,046	11,533,449	26,085,804	75,529,299
New Asset Origionated or Purchased	7,876,875	3,384,566	5,629,696	16,891,137
Transfer to Stage 1			-	-
Transfer to Stage 2	(6,854,321)	6,854,321	-	-
Transfer 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**

Reconciliation of allowance of loans	**2020**	**2019**
1st January	55,472,918	75,529,298
Charge during the year	(25,538,370)	(20,056,380)
At 31 December	**29,934,548**	**55,472,918**

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.

(All amounts are in Ghana cedis unless otherwise stated)

4 Financial risk management (continued)

4.1. Credit risk (continued)

Macroeconomic analysis

Expected credit losses: Stress Testing and Sensitivity Analysis

As a mostly Government Deduction at Source (DAS) business, Letshego Ghana was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends.

Model recalibrations were performed in 2020 at two points, in April and October 2020. The period between April and October saw the pinnacle of the economic effects of the pandemic. This was the period that had the most severe lockdowns, curfew measures and border restrictions, affecting the ease of doing business. Letshego Ghana put in a number of measures to mitigate the impact of these conditions which included repayment holidays and loan restructures.

Loss given default (LGD)

The absolute value shift in LGDs between April and October 2020 was 6.4%. This gave an indication of the sensitivity of our LGDs under economic duress. We were therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

Since PD's are modelled using a Point-In-Time (PIT) approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

Macroeconomic analysis

Country	INFLATION	GDP	CPI	UER
Letshego Ghana				

Inflation

Ghana's headline Inflation rates has decreased by 2.5% year on year and consumer price index (CPI) has recorded a steady increase of 11.5% YoY

Gross domestic product (GDP)

Gross Domestic Product (GDP) has decreased year on Year and closed the year with 0.93% in 2020

Unemployment rate is 4.5%.

(All amounts are in Ghana cedis unless otherwise stated)

4 Financial risk management (continued)

4.1. Credit risk (continued)

(All amounts are in Ghana cedis unless otherwise stated)

The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 95% of the total loan portfolio. In general, the macroeconomic environment was on a downturn due to pressure from the Covid-19 pandemic. However, Governments were reluctant to retrench. Therefore, although Letshego Ghana was operating in a difficult macroeconomic environment, clients continued to honor their financial obligations.

Influence of economic on estimate of ECL
A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated when there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).
A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

Expected credit losses: Forward looking
Macro economic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate in line with Fitch Solutions' revised outlook for the period ending 31 December 2020.

The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio.

The total weighted impact of GHs2.86m for Ghana based on downside scenarios :

Country	Base ECL	Probability Weighting	Impact GHs'000
	Ghs'000	Ghs'000	
Ghana	62,164	65,019	2,855
Total	**62,164**	**65,019**	**2,855**

Letshego Ghana, therefore estimates an additional ECL impact of Ghs2.86 million as at December 2020 should the company not have any mitigation in place. Full ECL disclosures can be read in conjunction with 31 December.

(All amounts are in Ghana cedis unless otherwise stated)

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)

4.2.3 Exposure to 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 2020	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	3,941,288	3,858,986	62,540,350	386,830,084	457,170,708
Customer deposits	4,341,992	4,205,965	21,236,318	-	29,784,275
Collateral Deposit	141,890,090	-	-	-	141,890,090
Lease Liability	5,754				5,754
Other liabilities (less withholding tax)	28,867,526	-	-	-	28,867,526
Total financial liabilities	179,064,650	8,064,951	83,776,668	386,830,084	657,718,353
Financial assets					
Cash and cash equivalents	69,092,279	-	-	-	69,092,279
Investment securities	-	-	1,190,000	50,896,900	52,086,900
Loan and advances to customers	148,295,153	16,857,781	11,084,103	545,973,332	722,210,369
Other assets (excluding prepayments)	195,264	-	-	-	195,264
Total financial assets held for managing liquidity risk	217,582,696	16,857,781	12,274,103	596,870,232	843,584,812
Net liquidity gap	38,536,046	8,792,830	(71,052,565)	210,040,148	185,886,460

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

4.2.3 Exposure to liquidity risk (continued)

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	21,555,680	-	-	-	21,555,680
Lease liabilities	568,008	1,136,016	-	-	1,704,024
Total financial liabilities	149,938,997	6,694,314	46,950,418	259,492,121	463,075,850
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	92,208,931	18,208,442	65,111,982	27,674,746	203,204,101

(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, 2020, if the currency had weakened/strengthened by 10% (2019: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and assets would have been GH¢2,234 (2019: 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 2020	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and bank balance	69,092,279		-	-	-	69,092,279
Investment securities	-	-	1,000,000	36,105,200	-	37,105,200
Loans and advances to customers	141,121,477	16,042,297	6,884,536	418,370,369	-	589,418,679
Other assets (excluding prepayment)	-	-	-	-	195,264	195,264
Total financial assets	210,213,756	16,042,297	7,884,536	454,475,569	195,264	695,811,422
Financial liabilities						
Borrowings	-	83,330,603	37,398,711	250,438,239	-	371,167,553
Customer deposits	2,504,404	2,168,623	23,099,798	-	-	27,772,825
Other liabilities	-	-	-	-	141,890,090	141,890,090
Total financial liabilities	2,504,404	85,499,226	60,498,509	250,438,239	141,890,090	540,301,589
Total interest repricing gap	207,709,352	(69,456,929)	(52,613,973)	204,037,330	(141,694,826)	154,980,954

(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)

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	207,709,351	207,709	415,419	623,128
1-3 months	(69,456,929)	(69,457)	(138,914)	(208,371)
3-12 months	(53,613,973)	(53,614)	(107,228)	(160,842)
Over 1 year	167,932,130	167,932	335,864	503,796
Total	252,570,579	252,570	505,141	757,711
Net interest income		**79,696,857**		
Impact on net interest income (2020)		0.32%	0.63%	0.95%
Impact on net interest income (2019)		0.26%	0.52%	0.78%

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.

	2020	2019
Tier 1 capital		
Ordinary share capital	30,546,314	30,546,314
Retained Earning	22,007,352	5,733,572
Statutory reserves	35,741,671	19,467,892
Total disclosed reserves	88,295,337	55,747,778
Less: other regulatory adjustments		
Intangible assets	(712,636)	(2,611,956)
Total tier 1 capital	87,582,701	53,135,821
Tier 2 capital		
Share based payment reserve	743,113	378,525
Subordinated Debt	82,451,876	22,629,853
Total tier 2 capital	83,194,989	23,008,378
Total regulatory capital	170,777,690	76,144,199
Risk-weighted assets	477,436,976	472,611,464
Capital adequacy ratio	35.77%	16.11%
Minimum requirement	11.50%	10.00%

**The intangible assets as included in capital adequacy calculation above is as prescribed by Capital Adequacy Requirement of Bank of Ghana.

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

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 2020

	Amortised cost	**Other liabilities amortised cost**	**Total**	**Fair value**
Cash and bank balance	69,105,279	-	69,105,279	69,105,279
Investment securities	37,105,200		37,105,200	37,105,200
Other assets (excluding prepayments)	195,264	-	195,264	195,264
Loans and advances to customers	552,484,130	-	552,484,130	559,113,939
Total financial assets	**658,889,872**	**-**	**658,876,873**	**655,519,682**
Borrowings	-	370,638,674	370,638,674	376,198,254
Customer deposits	-	27,772,825	27,772,825	28,050,554
Collateral deposits	-	141,890,090	141,890,090	141,890,090
Other liabilities- less mgt fees	-	16,895,013	16,895,013	16,895,013
Lease liabilities	-	5,754	5,754	5,754
Total financial liabilities	-	557,202,356	557,202,356	563,039,665

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	**523,235,432**
Total financial assets	**469,759,692**	**-**	**469,759,692**	571,031,066
Borrowings	-	270,878,772	270,878,772	333,180,890
Customer deposits	-	6,066,923	6,066,923	6,491,608
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**	**486,955,083**

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

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 2020, 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

	2020	2019
Cash in hand	-	302
Bank balance	69,105,279	47,632,018
Cash and bank balances	**69,105,279**	47,632,320

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

Cash in hand	-	302
Bank balance	69,105,279	47,632,018
Treasury bill less than 91days	-	-
Cash and bank balances	69,105,279	47,632,320

6. Investment securities

Government bonds		
2-5-year fixed rate notes	14,000,000	-
Above 5 years fixed rate note	23,105,200	-
	37,105,200	-

Government bonds are classified as financial assets at amortized cost as the business model is to hold the financial assets to collect contractual cash flows representing solely payments of principal and interest.

The average interest rate for treasury bonds at 31 December 2020 was 19.38%

An analysis of changes in the ECL allowances in relation to Debt instruments measured at amortised cost is, as follows:

Instruments under this category were issued by the central bank and government. Expected credit loss for these instruments were assessed to be insignificant.

(All amounts are in Ghana cedis unless otherwise stated)

7. Loans and advances to customers

	2020	2019
Neither past due nor credit impaired	521,175,961	379,000,682
Past due but not credit impaired	17,900,258	38,509,552
Credit impaired	43,342,459	59,926,742
Gross loans and advances to customers	582,418,678	477,436,976
Less expected credit loss	(29,934,548)	(55,472,918)
	552,484,130	**421,964,058**

8. Other assets

Prepayments *	3,407,327	3,255,775
Other receivable**	195,262	163,315
	3,602,589	**3,419,090**

*Prepayments consist of insurance, various subscription payments and advances payment on behalf of staffs.
**Other receivable consists of withholding tax receivables and staff's loans

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment

Year ended 31 December 2020	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Capital work in progress	Total
Cost						
At 1 January 2020	2,638,294	1,176,934	1,972,518	2,418,275	746,578	**8,952,599**
Additions	5,200	716,166	130,000	218,742	-	**1,070,108**
Transfers	275,000	-	330,081	-	(605,081)	-
Disposals	(104,709)	-	-	-	-	(104,709)
At 31 December 2020	**2,813,785**	**1,893,100**	**2,432,599**	**2,637,017**	**141,497**	**9,917,998**
Accumulated depreciation						
At 1 January 2020	1,476,464	994,223	1,219,432	2,019,703	-	5,709,822
Charge for the year	471,530	224,940	398,709	234,100		1,329,279
Disposals	(104,709)	-	-	-	-	(104,709)
At 31 December 2020	**1,843,285**	**1,219,163**	**1,618,141**	**2,253,803**	-	**6,934,392**
Net book amount	**970,500**	**673,937**	**814,458**	**383,214**	**141,497**	**2,983,606**

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment (continued)

Year ended 31 December 2019	Motor vehicles	Computer equipment	Office equipment	Furniture 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	497,660	-	1,710,891
Disposals	(161,500)	-	-	-	-	(161,500)
At 31 December 2019	1,476,464	994,223	1,219,432	2,019,703	-	5,709,822
Net book amount	**1,161,830**	**182,711**	**753,086**	**398,572**	**746,578**	**3,242,777**

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment (continued)

Disposal of property and equipment

Cost	104,709	161,500
Accumulated depreciation	(96,070)	(161,500)
Net book amount	8,639	-
Proceeds from disposals	176,339	92,000
Gain on disposals	**167,700**	92,000

10. Right of use assets

Year ended 31 December 2020

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

Cost		
At 1 January	4,884,432	4,884,432
Addition for the year	2,079,249	-
At 31 December	6,963,681	4,884,432
Accumulated depreciation		
At 1 January	2,709,114	-
Charge for the year	2,953,837	2,709,114
At 31 December	5,662,951	2,709,114
Net book amount	1,300,730	2,175,318

11. Intangible assets

Year ended 31 December

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

Cost		
At 1 January	4,503,102	1,734,073
Additions	-	2,769,029
At 31 December	4,503,102	4,503,102
Accumulated amortisation		
At 1 January	1,891,146	957,636
Charge for the year	1,090,643	933,510
At 31 December	2,981,789	1,891,146
Net book amount	1,521,313	2,611,956

(All amounts are in Ghana cedis unless otherwise stated)

12. Customer deposits

	2020	2019
Term deposits	23,037,520	5,455,708
Retail deposits	4,735,305	611,215
	27,772,825	6,066,923

13. Other liabilities

	2020	2019
Payroll accrual	-	474,773
Withholding tax	864,630	958,237
Management fees**	12,837,150	3,829,522
Other accrued expenses ***	15,287,262	16,872,860
Long term incentive provision	743,113	378,524
	29,732,155	22,513,916

** The management fees are determined using head count of support services offered by group resources.

*** Other accrued expenses comprise Director's fee, Staff incentives, Audit fees, Leave accruals and others.

14. Lease liabilities

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

	2020	2019
As at 1 January	**1,693,878**	3,731,347
Addition	**184,438**	-
Accretion of interest	**10,146**	378,469
Payment	**(1,872,562)**	(2,415,938)
At 31 December	**5,754**	1,693,878

15. Collateral deposits

	2020	2019
Funding for mobile loans	**141,890,098**	126,904,313

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. It is not an interest-bearing transaction deposit.

(All amounts are in Ghana cedis unless otherwise stated)

16. Income taxes

Income tax expense

Current income tax	14,857,891	3,867,909
National fiscal stabilisation levy	2,359,202	672,188
Deferred income tax credit	(2,646,919)	(1,882,055)
	14,570,174	2,658,042

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:

	2020	2019
Profit before tax	47,184,044	13,443,755
Tax using the corporate tax rate of 25%	4,755,076	3,360,939
Tax effect of:		
Non-deductible expenses	4,755,076	1,273,459
Deductible expenses	(4,340,116)	(2,648,544)
National fiscal stabilization levy	2,359,202	672,188
Tax charge per income statement	14,570,174	2,658,042
	30.09%	19.77%

Current income tax

	At 1 January	**Charge to profit or loss**	**Payments in the year**	**At 31 December 2020**
Year of assessment				
Up to 2019	14,173,291	-	-	14,173,291
2020	-	14,857,891	(6,302,529)	8,555,362
	14,173,291	14,857,891	(6,302,529)	22,728,653
National Fiscal Stabilization Levy	672,188	2,359,202	-	3,031,390
Total Tax	14,845,479	17,217,093	(6,302,529)	25,760,043

	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		-	4,473,146
		3,867,909	(6113,848	(2,245,939)
2019	-	672,188	-	672,188
	16,419,230	4,540,097	(6113,848)	14,845,479

(All amounts are in Ghana cedis unless otherwise stated)

16. Income taxes (continued)

Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (2020: 25%).

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

	2020	2019
At 1 January	**14,088,232**	12,206,177
Credited to profit or loss	**2,646,919**	1,882,055
At 31 December	16,737,151	14,088,232

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

	At 1 January 2020	**(Charge)/ Credit to profit or loss**	**At 31 December**
Deferred income tax liabilities			
Property and equipment	79,180	48,970	565,150
Deferred income tax assets			
Allowance for loan losses	13,868,228	2,301,773	16,170,001
Other temporary differences	140,824	(140,824)	-
Net deferred income tax assets	14,088,232	2,646,919	16,737,151

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.

	2020	2019
Deferred tax asset to be recovered within 12 months	565,150	181 259
Deferred tax asset to be recovered after more than 12 months	16,170,001	13,906,973
	16,735,151	14,088,232

(All amounts are in Ghana cedis unless otherwise stated)

17. Borrowings

Note Program	238,644,814	244,477,572
Letshego Holdings Limited	82,451,876	22,571,678
Term Loans	49,541,984	-
	370,638,674	267,049,250
Current	91,980,757	46,652,542
Non-current	278,657,917	220,396,708
	370,638,674	267,049,250

	At 1 January	Drawdown	Interest expense	Repayments	Exchange difference	At 31 December
Year ended 31 December 2020						
Note Program	244,477,572	-	45,281,595	(51,114,353)	-	238,644,814
Term Loans	-	62,550,000	1,883,772	(14,891,788)	-	49,541,984
Loan from Letshego Kenya	-	17,280,600	404,200	(17,684,800)	-	-
Letshego Holdings Ltd.	22,571,678	72,828,832	2,836,310	(20,160,700)	4,375,756	82,451,876
Year ended 31 December	**267,049,250**	**152,659,432**	**50,405,877**	**(103,851,641)**	**4,375,736**	**370,638,674**
Year ended 31 December 2019						
Note Program	235,995,791	11,847,190	46,163,329	(49,528,738)	-	244,477,572
Letshego Holdings Limited	-	18,816,152	3,755,526	-	-	22,4571,678
	235,995,791	30,663,342	49,918,855	-49,528,738		267,049,250

A total of GHS 238,644,814 of senior unsecured bonds was outstanding under the medium term notes program listed on the Ghana Fixed Income Market (GFIM) of the Ghana Stock Exchange. Interest is payable on the bonds bi-annually based on floating coupon rates which 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 2020 and 2019 reporting periods.

Letshego Holdings Limited Loan

The Letshego Holdings Limited loan is a facility advanced by the parent company. The loan balance as at December 31, 2020 is GHS 82,451,876.

All amounts are in Ghana cedis unless otherwise stated)

17. Borrowings (continued)

Term Loans

The Term loan balance as at December 31, 2020 is GHS 49,541,984. These are local currency facilities from commercial banks with tenors between 12 to 36 months.

18. 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 (2019: Nil).

19. 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:

	2020	2019
Profit attributable to equity holders	32,613,870	10,785,713
Weighted average number of shares issued	9,453,968	9,453,968
Basic earnings per share	3.45	1.14
Diluted earnings per share	3.45	1.14

20. Retained earnings

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

21. 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)

22. 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 parent company. 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 2020, 3,424,721 total awards were outstanding (2019: 1,603,800) at grant date share price of GHS 0.355 for 2020 awards (2019: GHS 0.236)

	31 December 2020		31 December 2019	
	Fair values	**Number of awards**	Fair values	Number of awards
Reconciliation of outstanding awards				
Outstanding at beginning of the period	378,525	1,603,800	145,230	841,100
Granted during the year	**620,038**	**2,043,421**	233,295	762,700
Exercised during the year	**(140,498)**	**(122,925)**	-	-
Forfeited due to not meeting performance	**(114,953)**	**(100,575)**	-	-
Forfeited due to resignations	-	-	-	-
Outstanding at the end of the year	743,112	3,424,721	378,525	1,603,800

The amounts outstanding at 31 December 2020 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.

23. Interest income

a.

	2020	2019
Loans and advances to customers	223,731,380	308,903,535
Bank deposits	1,483,088	694,837
Investment Securities	870,871	-
	226,085,339	309,598,372

b.

Interest revenue calculated using effective interest method	224,602,251	308,903,535
Other interest and similar income	1,483,088	694,837
	226,085,339	309,598,372

(All amounts are in Ghana cedis unless otherwise stated)

	2020	2019
24. a.		
Interest expense		
Note Program	45,281,595	46,163,329
Related party loan	3,240,510	3,755,527
Interest expense on mobile loan collateral	92,925,861	125,188,767
Customer deposits	2,279,236	5,099,293
Interest expense on lease liabilities	10,146	378,469
Term loans	1,883,772	-
Interest on overdraft	767,362	-
	146,388,482	180,585,385
b.		
Interest paid using effective interest method	144,109,246	175,486,092
Other interest paid and similar expenses	2,279,236	5,099,293
	146,388,482	180,585,385

25. Fee income

	2020	2019
Initiation fees	12,637,512	8,393,252
Insurance Fees	4,993,046	5,448,159
Insurance commissions	2,352,908	-
	19,983,466	13,841,411

* insurance fees represent the monthly fees earned on insurance premium deduction for the insurance company:

** Insurance commissions are the Letshego Ghana Savings and Loans Plc share of profit from the insurance

26. Commission expenses

	2020	2019
Merchant commissions	6,668,104	9,803,788
Collection commissions	15,872,244	29,617,392
	22,540,348	39,421,180

27. Other Operating Income

	2020	2019
Gain on disposal	167,700	92,000
	167,700	92,000

(All amounts are in Ghana cedis unless otherwise stated)

28. Impairment charge

Analysis by product		
Payroll	(8,908,303)	7,724,609
Smart cash	-	1,036,230
Edusolution	207,816	134,767
Mobile loans	(16,837,883)	(28,951,986)
	(25,538,370)	(20,056,380)
Irrecoverable debts written-off	34,418,152	84,421,413
Debts recovered	(25,692,482)	(14,701,661)
	(16,812,700)	49,663,372

29. Personnel costs

	2020	2019
Wages and salaries	7,897,515	6,162,920
Employer pension contributions	1,315,786	992,425
Share based payment	364,589	233,295
Staffs incentives and bonus	19,409	330,000
Other staff related costs **	4,310,472	4,071,645
	13,907,771	11,790,285

** Other staff related costs comprise Staff Training, Staff incentives, relocation expenses, Subscriptions, Staff welfare cost and others

(All amounts are in Ghana cedis unless otherwise stated)

30. Operating expenses

	2020	2019
Management fees	12,837,150	-
Depreciation and amortisation	5,365,120	5,457,386
Auditors' remuneration	330,000	288,000
Net Foreign exchange (Gain/loss)	4,375,756	1,325,322
Directors' remuneration	231,000	248,758
Advertisement	1,791,546	880,874
Office Expenses	939,690	1,902,072
Professional Fees	2,237,210	8,081,204
Other Operating Expenses	1,191,412	5,944,710
Telephone and internet expenses	1,946,730	1,586,257
Travel and Accommodation	226,820	797,949
Utility	432,143	516,651
Donation	97,295	31,672
Insurance	137,629	69,372
Repairs and maintenance	144,167	1,190,827
Fuel, Oil and Lubricant	744,892	306,752
	33,028,560	28,627,806

31. Cash generated from operating activities

Operating activities

Profit before tax	47,184,044	13,443,755
Depreciation of property and equipment (Note 9)	1,320,640	1,710,891
Depreciation of right of use assets (Note 10)	2,953,837	2,709,114
Amortisation of intangible assets (Note 11)	1,090,643	933,510
Net Foreign exchange (Gain/loss)	4,375,756	-
(Gain) on disposal of property and equipment (Note 9)	(167,700)	(92,000)
Interest on bonds and intercompany loan (Note 17)	50,405,877	49,918,856
Interest expense on lease liabilities (Note 14)	10,146	378,469
Impairment charge on loans and advances	17,235,647	49,663,372
Increase in loans and advances to customers	(147,755,719)	(36,078,002)
Decrease/(increase) in other assets	(193,653)	8,531,739
(Decrease)/ increase in customer deposits	21,705,902	(41,838,827)
Increase in other liabilities	7,218,247	10,798,308
(Decrease)/ increase in mobile loan collateral funding	14,985,785	(2,052,653)
Increase in share-based payment reserve	364,588	233,294
Cash flow from operating activities	20,734,040	58,259,826

(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	79,647,902	22,645,674
Interest payment to related party		
Letshego Holdings Limited	3,2420,510	3,755,526

Details of related party balances are as follows:

Management fees		
Letshego Holdings Limited	12,837,150	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 27.

Fees for services as directors	231,000	**248,753**

33. Contingent liabilities

There were no contingent liabilities at 31 December 2020 (2019: Nil).

34. Capital commitments

There were no capital commitments at 31 December 2020 (2019: Nil).

35. Events after reporting period

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2020.