AFB (GHANA) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Contents **Page(s)**

CORPORATE INFORMATION

Directors	Mr Blaise Mankwa	Chairman (Appointed 17 March 2017)
	Mr Darren Bruce Sneddon	Member
	Mr Arnold Kobina Parker	Member
	Chris Watkins-Ball	Member (Resigned 16 March 2017)
	Mr Ibrahim Obosu	Member
	Mrs Karin McGeachie	Member
	Mr Elly Ohene-Adu	Member (Appointed 31 May 2017)
	Mr Tom Kocsis	Member (Appointed 9 May 2017)
	Mr. Duduetsang Olsen	Member (Appointed 4 May 2017)

Company secretary
Platinum Corporate Solutions Ltd
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
PricewaterhouseCoopers
Chartered Accountants
No. 12 Airport City
Una Home, 3rd Floor
PMB CT 42
Cantonments, Accra

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

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of AFB (Ghana) PLC ('the Company') for the year ended 31 December 2017.

Principal activities

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

Payroll Loans	SmartCash	Mobile
Afb provides unsecured payroll deduction loans to Government and corporate employees in Ghana. Loan values range in value from GHS 100 to GHS 60,000. Repayment terms are from 3 to 60 months.	SmartCash is a loan product specifically designed for informal market traders. It is a 30 –day working capital loan repaid predominantly via cash. Traders can apply for a working capital loan to purchase stock for their businesses.	Mobile loan product (Qwikloan) is offered to customers on a short-term basis with repayment via mobile deduction. Loans are repayable in 30 days.
Insurance	**Rewards Gold Card**	**Smartsave**
Because we want to help protect your family in the event that life throws unexpected circumstances your way, we offer easy-to-understand, affordable credit life insurance on selected products on behalf of Enterprise Life Assurance Company Risks currently covered include: • Life • Accidental death • Disability • Critical illness • Retrenchment	Afb loan customers qualify for our Rewards Gold Card program, which offers additional benefits including; • Free accidental death cover • Discounts with select Ghanaian retailers	Smartsave uses a simple mobile to mobile technology solution. Customers use an active mobile wallet to deposit and withdrawal on an adhoc basis creating a fully accessible savings product.

EZ Loan
The EZ Loan product (secured by pension) is being piloted to offer secured loans to customers. Repayment is via direct debit.

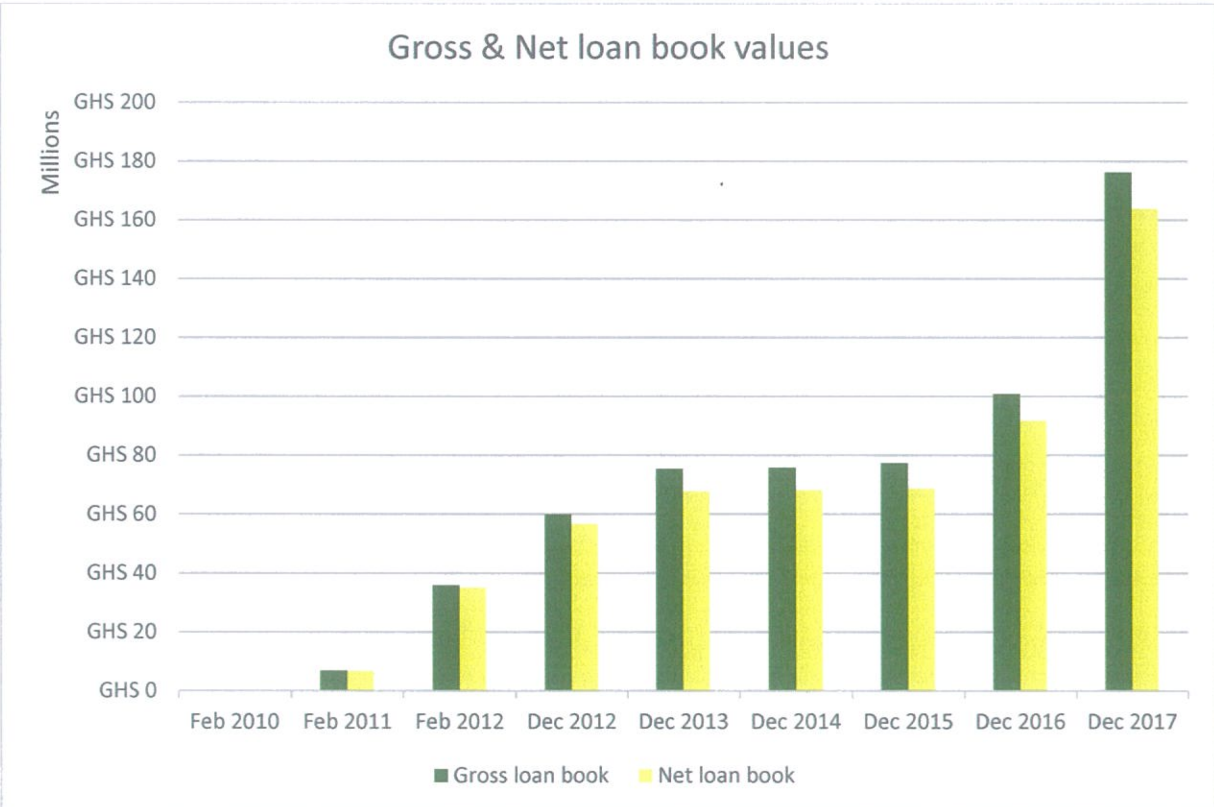
Mobile Loans (Qwikloans)

The Company launched mobile loans during the financial year, which saw good take up from the general public. The Company ended the year with over one million (1,000,000) loans disbursed and with over two hundred and fifty thousand (250,000) served.

REPORT OF THE DIRECTORS (continued)

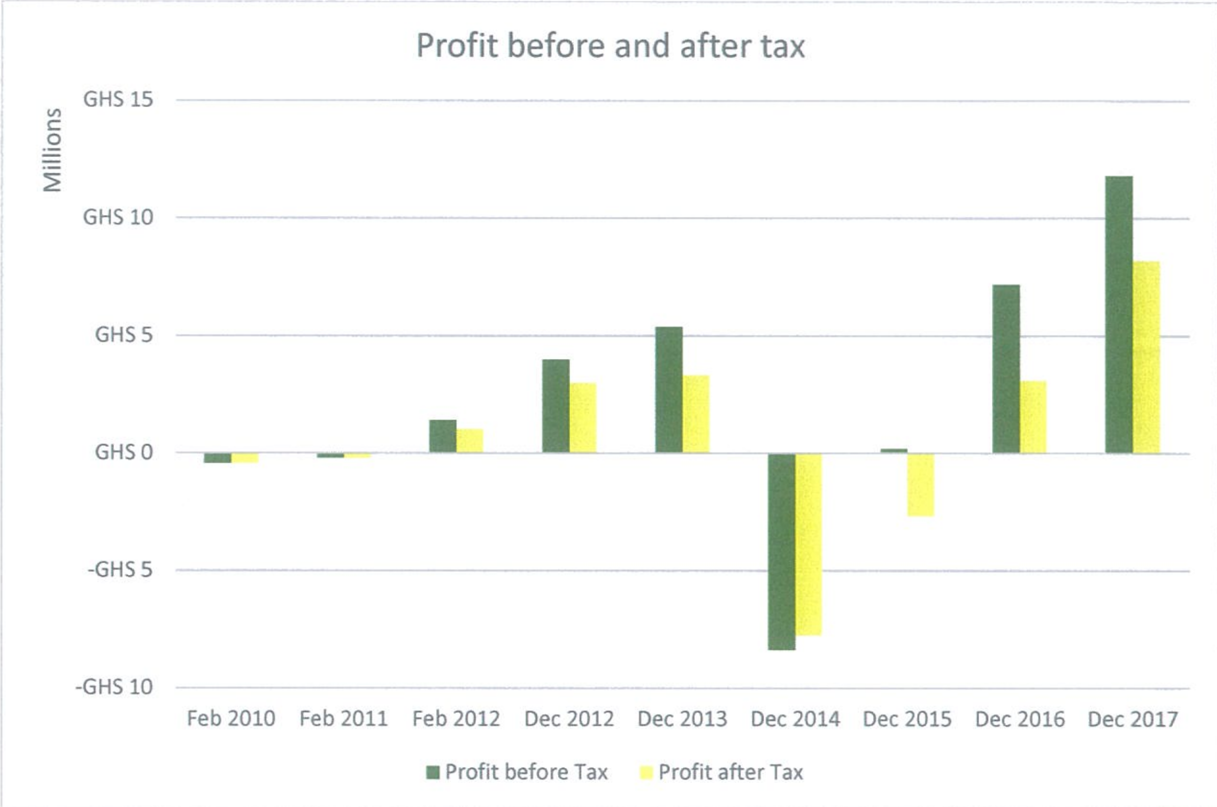
7-year company analysis

	GHS '000								
	Feb 2010	Feb 2011	Feb 2012	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017
Net interest on loan book	GHS 0	GHS 1,839	GHS 10,973	GHS 18,279	GHS 32,710	GHS 34,663	GHS 31,133	GHS 36,935	GHS 42,772
Other income	GHS 0	GHS 264	GHS 1,331	GHS 1,555	GHS 4,037	GHS 4,144	GHS 4,134	GHS 7,338	GHS 7,346
Profit before Tax	-GHS 437	-GHS 204	GHS 1,411	GHS 3,986	GHS 5,381	-GHS 8,389	GHS 193	GHS 7,180	GHS 11,809
Profit after Tax	-GHS 437	-GHS 223	GHS 1,017	GHS 2,988	GHS 3,321	-GHS 7,759	-GHS 2,679	GHS 3,079	GHS 8,196
Gross loan book	GHS 0	GHS 6,819	GHS 35,779	GHS 59,955	GHS 75,315	GHS 75,777	GHS 77,290	GHS 100,800	GHS 176,201
Net loan book	GHS 0	GHS 6,699	GHS 35,008	GHS 56,647	GHS 67,702	GHS 68,172	GHS 68,645	GHS 91,680	GHS 163,802



REPORT OF THE DIRECTORS (continued)

7-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, 1963 (Act 179) and the Banks and Specialised Deposit–Taking Institutions Act, 2016 (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 2017. Letshego incorporated in 1998, is headquartered in Gaborone and has been publicly listed on the Botswana Stock Exchange since 2002.

Financial results

The financial results for the year ended 31 December 2017 are set out below:

	GHS
Profit before tax	11,808,510
from which is deducted income tax expense of	(3,612,399)
giving a profit for the year after income tax of	8,196,111
from which is deducted transfer to statutory reserve of	(4,098,056)
and income surplus account brought forward of	(5,503,638)
leaving an income surplus amount carried forward of	(1,405,583)

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2017 (2016: nil).

REPORT OF THE DIRECTORS (continued)

Board meetings

The Company's Board met six times in 2017. The record of attendance is provided below

Name	21 February	31 May	27 July	2 August	26 October	10 November
Mr Blaise Mankwa	N/a	√	√	√	√	√
Mr. Darren Bruce Sneddon	√	√	√	√	√	√
Mr. Arnold Kobina Parker	√	√	√	√	√	√
Mr. Ibrahim Obosu	√	√	√	√	√	√
Mrs. Karin McGeachie	√	√	√	X	√	X
Mr. Elly Ohene-Adu	N/a	√	√	√	√	√
Mr Tom Kocsis	N/a	X	√	√	√	√
Mr. Duduetsang Olsen	N/a	√	√	√	√	X

Audit and Risk Committee meetings

The Company's Board Audit and Risk Committee met twice in 2017. The record of attendance is provided below

Name	21 February	10 November
Mr Tom Boardman	√	N/a
Mr. Darren Bruce Sneddon	√	√
Mr. Elly Ohene-Adu	N/a	√
Mr Tom Kocsis	N/a	√

Name Change

Subject to regulatory approval the company will be rebranding to LESTHEGO GHANA LTD.

Auditor

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179).

By Order of the Board

Signature: **Signature:**

Name of Director: Blaise O. Mankwa **Name of Director:** Arnold Parker

Date: 21st May 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AFB (GHANA) PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of AFB (Ghana) Plc as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

What we have audited

We have audited the financial statements of AFB (Ghana) Plc (the Company") for the year ended 31 December 2017.

The financial statements on pages 13 to 52 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment provisions on loans and advances to customers – GHS12.3 million	
The nature of the Company's largely unsecured lending business exposes the Company to significant credit risk on its loans and advances to customers. The assessment of impairment of customer advances requires the Company to exercise significant judgement in determining the required impairment provision on customer advances. The Company adopts an impairment approach which allows for appropriate customisation to take account of unique risks within the portfolio. This approach assesses likely credit losses based on factors, which include: • Assessment of any objective evidence that individual advances will not be collected due to, for example, retrenchment of the customer or closure of the sponsoring employer; and • Categorisation of outstanding advance balances based on time lapse since the last loan settlement received from the customer and the number of instalments in arrears. Collective impairment allowance is assessed for each category of advances showing similar credit behaviour as those identified through the categorisation processes. Collective impairment is determined based on judgements on the loss identification period, loss ratios and loss given default. The disclosures associated with impairment of customer advances are set out in notes 2.3.7, 3, 4.1 and 7 of the financial statements.	We updated our understanding of key controls within the loan origination, approval, monitoring and recovery processes. We assessed and tested the Company's controls on identifying impaired facilities and the reliability of loan reports. On identified individual loan impairments we performed tests to ascertain whether the loss event was identified in a timely manner. We checked estimates of future cash flows from loans and advances prepared by the Company to support the calculation of the impairment, challenging the assumptions, and comparing estimates to historical collection rates. Where impairment is collectively determined, we tested the appropriateness of the methodology applied and the reasonableness assumptions used in determining the loss identification period, the loss given default and the loss ratio.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AFB (GHANA) PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the Report of the directors but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

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

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 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; and
- 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 control 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 have communicated 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 AND REGULATORY REQUIREMENTS

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

i) 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;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's balance sheet (statement of financial position) and Company's profit and loss account (part of the statement of comprehensive income) are in agreement with the books of account.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AFB (GHANA) PLC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

In accordance with section 85(2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) we hereby confirm that:

i) in our opinion, the accounts give a true and fair view of the state of affairs of the Company and the results of operations for the period under review;

ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor;

iii) in our opinion, the Company's transactions were within its powers;

iv) in our opinion, the Company has, in all material respect, complied with the provisions of this Act; and

v) in our opinion, the Company has in all material respect complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments.

The engagement partner on the audit resulting in this independent auditor's report is Oseini Amui (ICAG/P/1139).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2018/028)

Chartered Accountants

Accra, Ghana

23 May 2018

pwc

STATEMENT OF FINANCIAL POSITION
(All amounts are in Ghana cedis)

		At 31 December	
		2017	2016
Assets	**Note**		
Cash and cash equivalents	5	**5,710,289**	10,479,447
Loans and advances to customers	7	**163,802,468**	91,679,615
Other assets	6	**2,962,148**	1,574,350
Deferred income tax asset	13	**1,501,611**	415,437
Property and equipment	8	**2,975,405**	3,326,702
Intangible assets	9	**696,878**	557,466
Total assets		**177,648,799**	108,033,017
Liabilities			
Customer deposits	10	**10,671,935**	-
Other liabilities	11	**18,053,060**	1,534,253
Deferred fee income	12	**4,419,023**	-
Current income tax	13	**4,473,146**	2,763,728
Borrowings	14	**101,594,491**	73,534,683
Total liabilities		**139,211,655**	77,832,664
Equity			
Stated capital	15	**30,546,314**	30,546,314
Income surplus account	17	**(1,405,583)**	(5,503,638)
Statutory reserves	18	**9,255,733**	5,157,677
Share based payment reserve	19	**40,680**	-
Total equity		**38,437,144**	30,200,353
Total liabilities and equity		**177,648,799**	108,033,017

The notes on pages 17 to 52 are an integral part of these financial statements.

The financial statements on pages 13 to 52 were approved by the Board of Directors on ..21st.....May... **2018 and signed on its behalf by:**

Signature: **Signature:**

Name of Director: Sloin O. Mankwa **Name of Director** Arnold Parker

STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2017	2016
Interest income	20	**61,830,136**	54,142,307
Interest expense	21	**(19,058,343)**	(17,207 ,406)
Net interest income		**42,771,793**	36,934,901
Fee income	22	**6,657,131**	6,518,831
Commission expenses	24	**(10,832,436)**	(8,326,048)
Operating income		**38,596,488**	35,127,684
Impairment charge on loans and advances	23	**(3,422,421)**	(9,975,823)
Personnel costs	26	**(8,809,843)**	(7,187,767)
Operating expenses	25	**(14,555,714)**	(10,783,651)
Profit before tax		**11,808,510**	7,180,443
Income tax expense	13	**(3,612,399)**	(4,101,315)
Profit for the year		**8,196,111**	3,079,128
Other comprehensive income		**-**	-
Total comprehensive income for the year		**8,196,111**	3,079,128
Earnings per share			
Basic and diluted (Ghana cedis)	16	**0.87**	0.33

The notes on pages 17 to 52 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

(All amounts are in Ghana cedis)

	Stated capital	Income surplus account	Statutory reserves	Share based payment reserve	Total
Year ended 31 December 2016					
At 1 January 2016	30,546,314	(7,043,202)	3,618,113	-	27,121,225
Comprehensive income:					
Profit for the year	-	3,079,128	-	-	3,079,128
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	3,079,128	-	-	3,079,128
Transfer to statutory reserves	-	(1,539,564)	1,539,564	-	-
At 31 December 2016	30,546,314	(5,503,638)	5,157,677	-	30,200,353
Year ended 31 December_2017					
At 1 January 2017	30,546,314	(5,503,638)	5,157,677	-	**30,200,353**
Comprehensive income:					
Profit for the year	-	8,196,111	-	-	**8,196,111**
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	8,196,111	-	-	**8,196,111**
Transfer to statutory reserves	-	(4,098,056)	4,098,056	-	-
Share based payment reserve	-	-	-	40,680	**40,680**
At 31 December 2017	**30,546,314**	**(1,405,583)**	**9,255,733**	**40,680**	**38,437,144**

The notes on page 17 to 52 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2017	2016
Cash flows from operating activities	27	**(10,578,995)**	3,910,334
Interest paid		**(18,912,762)**	(16,275,470)
Income tax paid	13	**(2,989,155)**	(1,284,093)
Net cash used in operating activities		**(32,480,912)**	(13,649,229)
Cash flows from investing activities			
Purchase of property and equipment	8	**(940,516)**	(1,796,661)
Proceeds from disposal of property and equipment	8	**25,480**	79,519
Purchase of intangible assets	9	**(269,108)**	(435,599)
Net cash used in investing activities		**(1,184,144)**	(2,152,741)
Cash flows from financing activities			
Drawdown from borrowings		**49,864,420**	18,000,000
Repayment of borrowings		**(23,301,821)**	(8,900,124)
Net cash generated from financing activities		**26,562,599**	9,099,876
Net decrease in cash and cash equivalents		**(7,102,457)**	(6,702,094)
Cash and cash equivalents at 1 January		**10,479,447**	17,181,541
Cash and cash equivalents at 31 December	5	**3,376,990**	10,479,447

The notes on page 17 to 52 are an integral part of these financial statements.

NOTES

1. General information

AFB (Ghana) 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, 1963 (Act 179) 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

The Company considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2017. However, these standards and amendments as detailed below, do not significantly impact the financial statements of the Company. The nature and the impact of each new standards and amendments are described below:

Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting treatment for deferred tax assets of debt instruments measured at fair value for accounting but measured at cost for tax purposes and confirmed that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. The adoption of this amendment did not have a material impact on the Company's financial statements.

Amendments to IAS 7, Statement of Cash Flows

The IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities are required to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g. gains and losses due to foreign currency movements). The adoption of this amendment did not have a material impact on the Company's financial statements.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

A number of new standards and amendments to standards are issued but not yet effective for year ended 31 December 2017. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

IFRS 9 Financial Instruments

IFRS 9, published in July 2015, replaces the existing guidance in IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. In addition, IFRS 9 will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company will adopt IFRS 9 in 2018 which is expected to have an impact on the Company's financial statements. The Company is at advanced stage of finalising IFRS 9 impairment model. Applicable credit and accounting policies will be amended to incorporate the requirements of IFRS 9. The Company will adopt the Probability of Default (PD)/Loss Given Default (LGD) approach for the calculation of Expected Credit Losses (ECL) for all loans and advances. In arriving at PD's and LGD's the ECL model will incorporate relevant macro-economic development. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in overall level of impairment allowance.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for revenue recognition. The model features a contract-based-five-step analysis of transactions to determine whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the impact of this standard and the outcome of it is yet to be quantified.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

Amendments to IFRS 2 - Share Based Payment - Classification and measurement of share based payment transactions

This standard clarifies classification and measurement of share based payment transactions with net settlement features for withholding tax obligations (i.e. equity settled share based payment for employees and cash settled share based payment for withholding taxes). It grants an exemption to alleviate operational issues encountered in dividing the share based payment into cash-settled and equity-settled component. The amendments also clarify modifications to terms and conditions that change classifications from cash-settled to equity-settled as well as application of non-market vesting conditions and market non-vesting conditions. These amendments do not have any material impact on the Company.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities

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

2.3.1 Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(i) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the Company upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Company upon initial recognition designates as available for sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to customers. Interest on loans is included in profit or loss and is reported as 'Interest income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as ' impairment charges on loans and advances'.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

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.

The Company's holding in financial liabilities represents mainly borrowings, deposits from customers, 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 other financial liabilities at amortised cost and are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Other liabilities

Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.4 Derecognition (continued)

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.
In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.3.5 Offsetting financial instruments

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

2.3.6 Fair value measurement

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

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

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

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.7 Identification and measurement of impairment (continued)

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

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

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

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

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

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

2.4 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.5 Property and equipment

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:

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.

2.6 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.

2.7 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.7 Income tax (continued)

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.

2.8 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.

2.9 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.

2.10 Stated capital

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

2.11 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.12 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.

2.13 Share-based payment transactions

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

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

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

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

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

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

2.14 Contingent liabilities

The Company recognises 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.15 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. IAS 18 and International Accounting Standard 39 –Financial Instruments: Recognition and Measurement ("IAS 39") 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.

Impairment losses on loans and advances

The Company reviews its loan portfolios to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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.

NOTES (continued)

4. Financial risk management

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

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

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

4.1. Credit risk

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

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

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

(i) Maximum exposure to credit risk

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

	2017	2016
Bank balances	**2,706,032**	10,317,759
Loans and advances to customers	**163,802,468**	91,679,615
Other assets (excluding prepayments)	**1,433,554**	71,664
	167,942,054	102,069,038

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

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

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(ii) Credit quality

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

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

	2017		2016	
	Loans and advances	**Bank balances**	**Loans and advances**	**Bank balances**
Neither past due nor impaired	**143,700,707**	**2,706,032**	91,679,615	10,317,759
Past due but not impaired	**19,592,075**	**-**	9,120,529	-
Impaired	**12,908,386**	**-**	-	-
Gross	**176,201,168**	**2,706,032**	100,800,144	10,317,759
Portfolio based impairment	**(5,674,434)**	**-**	(1,983,630)	-
Specific impairment	**(6,724,266)**	**-**	(7,136,899)	-
Carrying amount	**163,802,468**	**2,706,032**	91,679,615	10,317,759

Neither past due nor impaired

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

Other assets are neither past due nor impaired.

Past due but not impaired

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

	2017	2016
Past due up to 30 days	**10,420,156**	4,894,919
Past due up to 60 days	**5,687,736**	2,604,765
Past due up to 90 days	**3,484,183**	1,620,845
Total	**19,592,075**	9,120,529

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

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

The Company considers probabilities of default and loss given default in the determination of its impairment allowance. The changes to the impairment allowance at 31 December 2017 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Company's assumptions are set out below.

At 31 December 2017, an increase/decrease of 100 basis points on the estimated probability of default would have resulted in a decrease/increase in post-tax profit of GHS 43,869 (2016: GHS Nil).

At 31 December 2017, an increase/decrease of 100 basis points on the estimated loss given default would have resulted in a decrease/increase in post-tax profit of GHS 129,527 (2016: GHS Nil).

(iii) 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:

	2017	2016
Payroll loans	**150,017,202**	95,806,557
Direct loans	**588,182**	2,109,246
Smartcash loans	**4,085,107**	2,884,341
Mobile loans	**21,510,677**	-
Gross loans and advances to customers	**176,201,168**	100,800,144
Impairment	**(12,398,700)**	(9,120,529)
Carrying amount	**163,802,468**	91,679,615

Concentration by customer segment:

	2017	2016
Formal	**150,017,202**	95,806,557
Informal	**26,183,966**	4,993,587
Gross loans and advances to customers	**176,201,168**	100,800,144
Impairment	**(12,398,700)**	(9,120,529)
Carrying amount	**163,802,468**	91,679,615

NOTES (continued)

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.

NOTES (continued)

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

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

At 31 December 2017	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	5,903,074	4,038,541	41,514,863	105,961,854	**157,418,332**
Customer deposits	139,198	-	10,532,737	-	**10,671,935**
Other liabilities	14,719,983	-	-	-	**14,719,983**
Total financial liabilities	**20,762,255**	**4,038,541**	**52,047,600**	**105,961,854**	**182,810,250**
Financial assets					
Cash and cash equivalents	5,710,289	-	-	-	**5,710,289**
Loan and advances to customers	28,773,378	2,219,986	6,619,880	138,587,924	**176,201,168**
Other assets (excluding prepayments)	1,433,554	-	-	-	**1,433,554**
Total financial assets held for managing liquidity risk	**35,917,221**	**2,219,986**	**6,619,880**	**138,587,924**	**183,345,011**
Net liquidity gap	**15,154,966**	**(1,818,555)**	**(45,427,720)**	**32,626,070**	**534,761**

NOTES (continued)

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

At 31 December 2016	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	3,167,851	8,934,590	20,536,553	65,273,850	97,912,844
Other liabilities	44,853	-	-	-	44,853
Total financial liabilities	3,212,704	8,934,590	20,536,553	65,273,850	97,957,737
Financial assets					
Cash and cash equivalents	10,479,447	-	-	-	10,479,447
Loans and advances to customers	15,777,083	2,255,822	3,662,534	79,104,705	100,800,144
Other assets (excluding prepayments)	71,664	-	-	-	71,664
Total financial assets held for managing liquidity risk	26,328,194	2,225,822	3,662,534	79,104,705	111,351,255
Net liquidity gap	23,115,490	(6,678,768)	(16,874,019)	13,830,855	13,393,518

NOTES (continued)
(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, 2017, if the currency had weakened/strengthened by 10% (2016: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GH¢778 (2016: GH¢1,304) 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.

NOTES (continued)
(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 2017	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and cash equivalent	1,105,252	-	-	-	4,605,037	**5,710,289**
Loans and advances to customers	28,773,378	2,219,986	6,619,880	138,587,924	-	**176,201,168**
Other assets (excluding prepayment)	-	-	-	-	1,433,554	**1,433,554**
Total financial assets	**29,878,630**	**2,219,986**	**6,619,880**	**138,587,924**	**6,038,591**	**183,345,011**
Financial liabilities						
Borrowings	17,234,570	16,224,292	12,090,647	56,044,982	-	**101,594,491**
Customer deposits	139,198	-	10,532,737	-	-	**10,671,935**
Other liabilities	-	-	-	-	18,053,060	**18,053,060**
Total financial liabilities	**17,373,768**	**16,224,292**	**22,623,384**	**-**	**18,053,060**	**130,319,486**
Total interest repricing gap	**12,504,862**	**(14,004,306)**	**(16,003,504)**	**82,542,942**	**(10,485,875)**	**54,554,119**

NOTES (continued)
(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 2016	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	10,479,448	10,479,448
Loans and advances to customers	15,777,083	2,255,822	3,662,534	79,104,705	-	100,800,144
Other assets	-	-	-	-	71,664	71,664
Total financial assets	15,777,083	2,255,822	3,662,534	79,104,705	10,551,112	111,351,256
Financial liabilities						
Borrowings	28,727,687	32,592,995	5,335,893	6,878,108	-	73,534,683
Other liabilities	-	-	-	-	1,534,253	1,534,253
Total financial liabilities	28,727,687	32,592,995	5,335,893	6,878,108	1,534,253	75,068,936
Total interest repricing gap	(12,950,604)	(30,337,173)	(1,673,359)	72,226,597	9,016,859	36,282,320

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

Interest rate sensitivity analysis

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

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

		Possible interest rate movements		
	Total interest repricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	**12,504,862**	**119,910**	**239,819**	**359,729**
1-3 months	**(14,004,306)**	**(117,022)**	**(234,045)**	**(351,067)**
3-12 months	**(16,003,504)**	**(100,844)**	**(201,688)**	**(302,532)**
Over 1 year	**82,542,942**	**208,053**	**416,107**	**624,160**
Total		**110,097**	**220,194**	**330,290**
Impact on net interest income (2017)		**0.26%**	**1%**	**0.77%**
Impact on net interest income (2016)		0.6%	1.1%	1.7%

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:

NOTES (continued)
(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.

	2017	2016
Tier 1 capital		
Ordinary share capital	**30,546,314**	30,546,314
Income surplus	**(1,405,583)**	(5,503,638)
Statutory reserves	**9,255,733**	5,157,677
Total disclosed reserves	**38,396,464**	30,200,353
Less: other regulatory adjustments		
Intangible assets	**(696,878)**	(557,466)
Total tier 1 capital	**37,699,586**	29,642,887
Tier 2 capital		
Share based payment reserve	**40,680**	-
Total tier 2 capital	**37,740,266**	-
Total regulatory capital	**37,740,266**	29,642,887
Risk-weighted assets	**213,795,000**	134,276,561
Capital adequacy ratio	**17.65%**	22.08%
Minimum requirement	**10.00%**	10.00%

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

4.5 Fair value of financial assets and liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below sets out the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's statement of financial position at their fair values:

At 31 December 2017

	Loans and receivables	Other liabilities amortised cost	Total	Fair value
Cash and cash equivalents	5,710,289	-	5,710,289	**5,710,289**
Other assets (excluding prepayments)	1,433,554	-	1,433,554	**1,433,554**
Loans and advances to customers	163,802,468	-	163,802,468	**163,802,468**
Total financial assets	**170,946,311**	**-**	**170,946,311**	**170,946,311**
Borrowings	-	101,594,491	101,594,491	**106,160,377**
Customer deposits	-	10,671,935	10,671,935	**10,671,935**
Other liabilities	-	18,053,060	18,053,060	**18,053,060**
Total financial liabilities	**-**	**130,319,486**	**130,319,486**	**134,885,372**

At 31 December 2016

	Loans and receivables	Other liabilities amortised cost	Total	Fair value
Cash and cash equivalents	10,479,447	-	10,479,447	10,479,447
Other assets (excluding prepayments)	71,664	-	71,664	71,664
Loans and advances to customers	91,679,615	-	91,679,615	91,679,615
Total financial assets	102,230,726	-	102,230,726	102,230,726
Borrowings	-	73,534,683	73,534,683	76,927,277
Other liabilities	-	1,534,253	1,534,253	1,534,253
Total financial liabilities	-	75,068,936	75,068,936	78,461,530

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

4.5 Fair value of financial assets and liabilities (continued)

Loans and advances to customers

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

Customer deposits

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

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

Cash and cash equivalents

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

Amounts due to related parties

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

Fair value hierarchy

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

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

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

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

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

At 31 December 2017, the Company classified its financial assets as loans and receivables. These are measured at amortised cost.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

5. Cash and cash equivalents

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

	2017	2016
Cash in hand	**3,004,257**	161,688
Bank balance	**2,706,032**	10,317,759
Cash and bank balances	**5,710,289**	10,479,447
Bank overdraft(Note 14)	**(2,333,299)**	-
Cash and cash equivalents	**3,376,990**	10,479,447

6. Other assets

	2017	2016
Prepayments	**1,528,594**	1,502,686
Sundry debtors	**1,433,554**	71,664
	2,962,148	1,574,350

All other assets are current.

7. Loans and advances to customers

	2017	2016
Payroll loans	**150,017,202**	95,806,557
Direct loans	**588,182**	2,109,246
Smartcash loans	**4,085,107**	2,884,341
Mobile loans	**21,510,677**	-
Gross loans and advances to customers	**176,201,168**	100,800,144
Less: Provision for impairment		
Collective impairment	**5,674,434**	1,983,630
Specific impairment	**6,724,266**	7,136,899
	12,398,700	9,120,529
Carrying amount	**163,802,468**	91,679,615
Current	**34,966,523**	19,732,407
Non-current	**128,835,945**	71,947,208
	163,802,468	91,679,615

Impairment per product

	2017	2016
Payroll loans	**8,629,707**	7,715,697
Direct loans	**360,714**	799,002
Smartcash loans	**1,311,087**	605,830
Mobile loans	**2,097,192**	-
	12,398,700	9,120,529

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

7. Loans and advances to customers (continued)

Provision percentage of gross loans

	2017	2016
	%	%
Payroll loans	**6**	8
Direct loans	**61**	38
Smartcash loans	**32**	20
Mobile loans	**10**	-

Reconciliation of allowance for loan losses

	Specific impairment provision	**Collective impairment provision**	**Total**
Year ended 31 December 2017			
1 January 2017	7,136,899	1,983,630	**9,120,529**
(Release)/charge during the year	(412,633)	3,690,804	**3,278,171**
At 31 December 2017	**6,724,266**	**5,674,434**	**12,398,700**
Year ended 31 December 2016			
1 January 2016	8,028,268	616,237	8,644,505
(Release)/charge during the year	(891,369)	1,367,393	476,024
At 31 December 2016	7,136,899	1,983,630	9,120,529

8. Property and equipment

Year ended 31 December 2017	**Motor vehicles**	**Computer equipment**	**Office equipment**	**Furniture and fittings**	**Total**
Cost					
At 1 January 2017	1,650,273	824,607	1,232,298	1,807,667	**5,514,845**
Additions	346,572	82,550	245,262	266,132	**940,516**
Disposals	(34,500)	(1,378)	(3,899)	-	**(39,777)**
At 31 December 2017	**1,962,345**	**905,779**	**1,473,661**	**2,073,799**	**6,415,584**
Accumulated depreciation					
At 1 January 2017	571,827	479,767	469,729	666,820	**2,188,143**
Charge for the year	391,779	201,307	216,055	455,179	**1,264,320**
Disposals	(11,865)	(78)	(341)	-	**(12,284)**
At 31 December 2017	**951,741**	**680,996**	**685,443**	**1,121,999**	**3,440,179**
Net book amount	**1,010,604**	**224,783**	**788,218**	**951,800**	**2,975,405**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

8. Property and equipment (continued)

Year ended 31 December 2016	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	**Total**
Cost					
At 1 January 2016	1,117,408	612,300	861,583	1,280,752	3,872,043
Additions	646,443	212,307	390,016	547,895	1,796,661
Disposals	(113,578)	-	-	-	(113,578)
Write-offs	-	-	(19,301)	(20,980)	(40,281)
At 31 December 2016	1,650,273	824,607	1,232,298	1,807,667	5,514,845
Accumulated depreciation					
At 1 January 2016	326,482	280,322	332,552	345,739	1,285,095
Charge for the year	290,269	199,445	138,081	321,230	949,025
Disposals	(42,035)	-	-	-	(42,035)
Write-offs	(2,889)	-	(904)	(149)	(3,942)
At 31 December 2016	571,827	479,767	469,729	666,820	2,188,143
Net book amount	1,078,446	344,840	762,569	1,140,847	3,326,702

Disposal of property and equipment

	2017	2016
Cost	**39,777**	113,578
Accumulated depreciation	**(12,284)**	(42,035)
Net book amount	**27,493**	71,543
Proceeds from disposals	**25,480**	79,519
(Loss)/gain on disposals	**(2,013)**	7,976

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

9. Intangible assets

Year ended 31 December 2017

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

	2017	2016
Cost		
At 1 January	**1,250,606**	815,007
Additions	**269,108**	435,599
At 31 December	**1,519,714**	1,250,606
Accumulated depreciation		
At 1 January	**693,140**	362,753
Charge for the year	**129,696**	330,387
At 31 December	**822,836**	693,140
Net book amount	**696,878**	557,466

10. Customer deposits

Term deposits	**10,536,845**	-
Smartsave deposits	**135,090**	-
	10,671,935	-

All amounts due to customers are current.

11. Other liabilities

Payroll accrual	**121,536**	263,582
Withholding tax	**82,297**	44,853
Mobile loans funding	**12,872,282**	-
Management fees	**1,765,404**	-
Other accrued expenses	**3,211,541**	1,225,818
	18,053,060	1,534,253

Mobile loans funding relates to amounts received from Jumo Limited as a partner in financing mobile loans.

All other liabilities are current.

12. Deferred fee income

	2017	2016
Deferred initiation fees	**4,419,023**	-

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

13. Income taxes

Income tax expense

	2017	2016
Current income	**4,108,147**	3,874,924
National fiscal stabilisation levy	**590,426**	359,242
Deferred income tax credit	**(1,086,174)**	(132,851)
	3,612,399	4,101,315

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:

	2017	2016
Profit before tax	**11,808,510**	7,180,443
Tax using the corporate tax rate of 25%	**2,952,128**	1,795,111
Tax effect of:		
Permanent differences	**69,845**	1,946,962
National fiscal stabilisation levy	**590,426**	359,242
Tax charge per income statement	**3,612,399**	4,101,315

Current income tax

	At 1 January 2017	**Charge to profit or loss**	**Payments in the year**	**At 31 December 2017**
Year of assessment				
Up to 2016	2,763,728	-	-	2,763,728
2017	-	4,698,573	(2,989,155)	1,709,418
	2,763,728	**4,698,573**	**(2,989,155)**	**4,473,146**

	At 1 January 2016	Charge to profit or loss	Payments in the year	At 31 December 2016
Year of assessment				
Up to 2015	(186,345)	-	-	(186,345)
2016	-	4,234,166	(1,284,093)	2,950,073
	-	4,324,166	(1,284,093)	2,763,728

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

13. 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% (2016: 25%).

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

	2017	2016
At 1 January	**415,437**	282,586
Credited to profit or loss	**1,086,174**	132,851
At 31 December	**1,501,611**	415,437

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

	At 1 January 2017	Credit to profit or loss	At 31 December
Deferred income tax liabilities			
Property and equipment	(80,490)	129,157	**48,667**
Deferred income tax assets			
Allowance for loan losses	495,927	922,682	**1,418,609**
Other timing differences	-	34,335	**34,335**
Net deferred income tax assets	**415,437**	**1,086,174**	**1,501,611**

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.

	2017	2016
Deferred tax asset to be recovered within 12 months	**34,335**	-
Deferred tax asset to be recovered after more than 12 months	**1,467,276**	415,437
	1,501,611	415,437

14. Borrowings

	2017	2016
Note Program	**99,261,192**	73,534,683
Bank overdraft	**2,333,299**	-
	101,594,491	73,534,683
Current	**41,217,226**	24,136,233
Non-current	**60,377,265**	49,398,450

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

14. Borrowings (continued)

	At 1 January	Drawdown	Interest expense	Repayments	At 31 December
Year ended 31 December 2017					
Note Program	73,534,683	43,864,420	17,768,987	(35,906,899)	99,261,192
Letshego Holdings Limited	-	6,000,000	307,684	(6,307,684)	-
	73,534,683	**49,864,420**	**18,076,671**	**(42,214,583)**	**99,261,192**
Year ended 31 December 2016					
Note Program	63,693,593	18,000,000	17,056,684	(25,175,594)	73,534,683

Note Program

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

Bond ID	**Maturity Date**	**Amount**	**Coupon rate**
Three year bonds			
AFB100	16 July 2018	3,271,450	26%
AFB200	16 July 2018	13,827,000	182-day+ 3.7%
AFB400	3 August 2018	4,000,000	182-day+ 3.7%
AFB500	1 September 2018	2,300,000	182-day+ 3.7%
AFB600	28 September 2018	3,000,000	26%
AFB700	30 September 2018	5,000,000	182-day+ 3.7%
AFB800	10 March 2019	4,000,000	182-day+ 3.5%
Four year bond			
AFB900	7 April 2020	5,000,000	182-day+ 3.9%
Five year bonds			
AFB1000	30 September 2021	9,000,000	182-day+ 4.0%
AFB1400	11 July 2022	18,783,500	182-day+ 6.0%
AFB1500	17 July 2022	1,630,000	182-day+ 6.0%
AFB1300	30 June 2022	7,621,000	182-day+ 6.0%
Seven year bonds			
AFB1100	3 March 2024	8,941,158	182-day+ 4.25%
AFB1200	20 March 2024	6,888,760	182-day+ 4.25%
Total		**93,262,868**	

The floating coupon rates are referenced to the 182 day treasury rate issued by the Bank of Ghana.
The company has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting period.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

14. Borrowings (continued)

Letshego Holdings Limited Loan

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

Bank Overdraft

The overdraft facility attracts interest at the bank's base rate plus a margin of 2.45% per annum and is secured.

15. 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 (2016: Nil).

16. Earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2017 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:

	2017	2016
Profit attributable to equity holders	**8,196,111**	3,079,128
Weighted average number of shares issued	**9,453,968**	9,453,968
Basic earnings per share	**0.87**	0.33
Diluted earnings per share	**0.87**	0.33

17. Income surplus account

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

18. 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.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

19. 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 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 2017, 223,500 total awards were outstanding (2016: Nil) at grant date share price of GHS 0.181 for 2017 awards (2016: Nil).

	31 December 2017		**31 December 2016**	
	Fair values	**Number of awards**	**Fair values**	**Number of awards**
Reconciliation of outstanding awards				
Outstanding at beginning of the period	-	-	-	-
Granted during the year	**40,680**	**223,500**	-	-
Exercised during the year	-	-	-	-
Forfeited due to not meeting performance	-	-	-	-
Forfeited due to resignations	-	-	-	-
Outstanding at the end of the year	**40,680**	**223,500**	-	-

The amounts outstanding at 31 December 2017 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, shares (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.

20. Interest income

	2017	2016
Loans and advances to customers	**61,141,737**	53,323,522
Bank deposits	**688,399**	818,785
	61,830,136	54,142,307

21. Interest expense

	2017	2016
Note Program	**17,768,987**	17,056,684
Related party loan (note 14)	**307,684**	-
Bank overdraft	**460,677**	150,722
Customer deposits	**520,995**	-
	19,058,343	17,207,406

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

22. Fee income

	2017	2016
Initiation fees	**5,326,203**	5,312,172
Insurance commissions	**1,041,925**	443,242
Other fees	**289,003**	763,417
	6,657,131	6,518,831

23. Impairment charge on loans and advances

Analysis by product		
Payroll	**8,204,934**	8,942,727
Direct	**599,000**	988,969
Smart cash	**2,496,283**	1,691,886
Mobile loans	**918,000**	-
	12,222,647	11,623,582
Irrecoverable debts written-off	**910,039**	2,842,451
Debts recovered	**(9,710,265)**	(4,490,210)
	3,422,421	9,975,823

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

24. Commission expenses

Merchant commissions	**7,726,739**	6,150,791
Collection commissions	**3,105,697**	2,175,257
	10,832,436	8,326,048

25. Operating expenses

Operating expenses include the following		
Loss/(gain) from disposal of property and equipment	**2,013**	(7,976)
Depreciation and amortisation	**1,394,016**	1,279,414
Auditor's remuneration	**159,282**	142,469
Net foreign exchange loss/(gain)	**78,397**	(2,702)
Directors' remuneration	**150,000**	558,915

26. Personnel costs

Wages and salaries	**5,864,626**	4,991,605
Employer pension contributions	**500,359**	466,013
Share based payment expense	**40,680**	-
Other staff related costs	**2,404,178**	1,730,149
	8,809,843	7,187,767

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

27. Cash generated from operating activities

Operating activities	2017	2016
Profit before tax	**11,808,510**	7,180,433
Depreciation (Note 8)	**1,264,320**	949,025
Amortisation (Note 9)	**129,696**	330,387
Loss/(gain) on disposal of property and equipment (Note 8)	**2,013**	(7,976)
Loss on write-off of property and equipment	-	36,339
Interest on bonds and intercompany loan (Note 21)	**18,076,671**	17,056,684
Increase in loans and advances to customers	**(72,122,853)**	(23,034,275)
(Increase)/decrease in other assets	**(1,387,798)**	630,891
Increase in customer deposits	**10,671,935**	-
Increase in other liabilities	**16,518,807**	768,826
Increase in deferred fee income	**4,419,023**	-
Increase in share-based payment reserve	**40,680**	-
Cash (used in)/generated from operations	**(10,578,995)**	3,910,334

28. Related party transactions

The related party transactions are as follows:

	2017	2016
Loan from related party		
Letshego Holdings Limited	**6,000,000**	-
Interest payment to related party		
Letshego Holdings Limited	**307,684**	-

The amount with interest was fully paid during the year.

Details of related party balances are as follows:

	2017	2016
Management fees		
Letshego Holdings Limited	**1,765,404**	-

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 25.

	2017	2016
Fees for services as directors	**150,000**	558,915

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

29. Contingent liabilities

There were no contingent liabilities at 31 December 2017 (2016: Nil).

30. Capital commitments

There were no capital commitments at 31 December 2017 (2016: Nil).

31. Events after reporting period

On 2 February 2018, the Ghana Revenue Authority accepted the Company's petition to carry forward foreign exchange losses of GHS 11.3 million for the period 1 September 2015 to 31 December 2015 as tax deductions for three years in accordance with section 17 of the Income Tax Act 2015, (Act 896).

The tax effect of the outcome of this petition has not been recognised in determining the corporate income tax for the year ended 31 December 2017, because the period over which it can be deducted has not been established.