AFB (GHANA) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

CORPORATE INFORMATION

Directors	Mr Blaise Mankwa	Chairman (Appointed 17 March 2018)
	Mr Darren Bruce Sneddon	Member
	Mr Arnold Kobina Parker	Member
	Mr Chris Watkins-Ball	Member (Resigned 16 March 2018)
	Mr Ibrahim Obosu	Member
	Mrs Karin McGeachie	Member (Resigned 17 August 2018)
	Mr Elly Ohene-Adu	Member (Appointed 31 May 2018)
	Mr Tom Kocsis	Member (Appointed 9 May 2018)

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

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 2018.

Principal activities

The Company is authorised to transact business as a Non-Banking Financial Institution and offers the following services;

Payroll Loans	SmartCash	Mobile
Afb provides unsecured payroll deduction loans to Government and corporate employees in Ghana. Loan values range from GHS 100 to GHS 60,000. Repayment terms are from 3 to 72 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 withdraw 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.

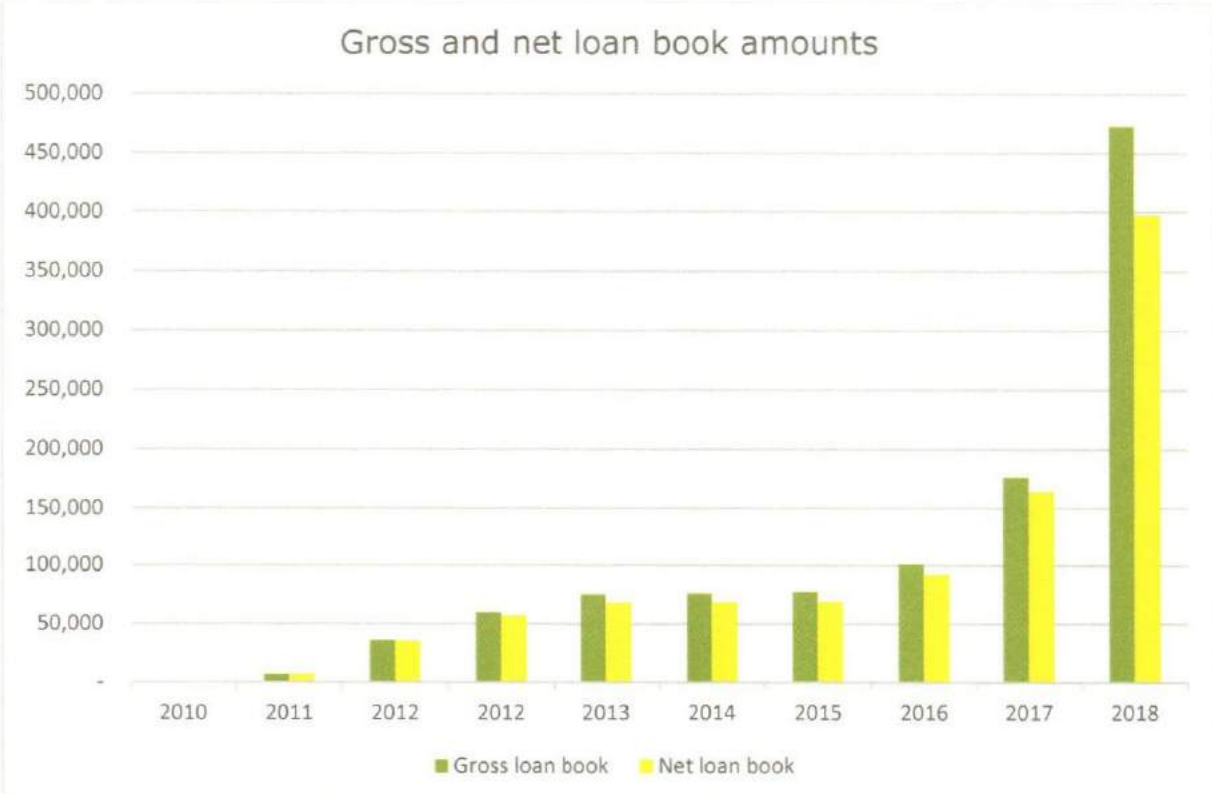
Mobile Loans (Qwikloans)

The mobile loans product saw significant improvement in disbursement. The Company celebrated the one million customer for this product during the year under review.

REPORT OF THE DIRECTORS (continued)

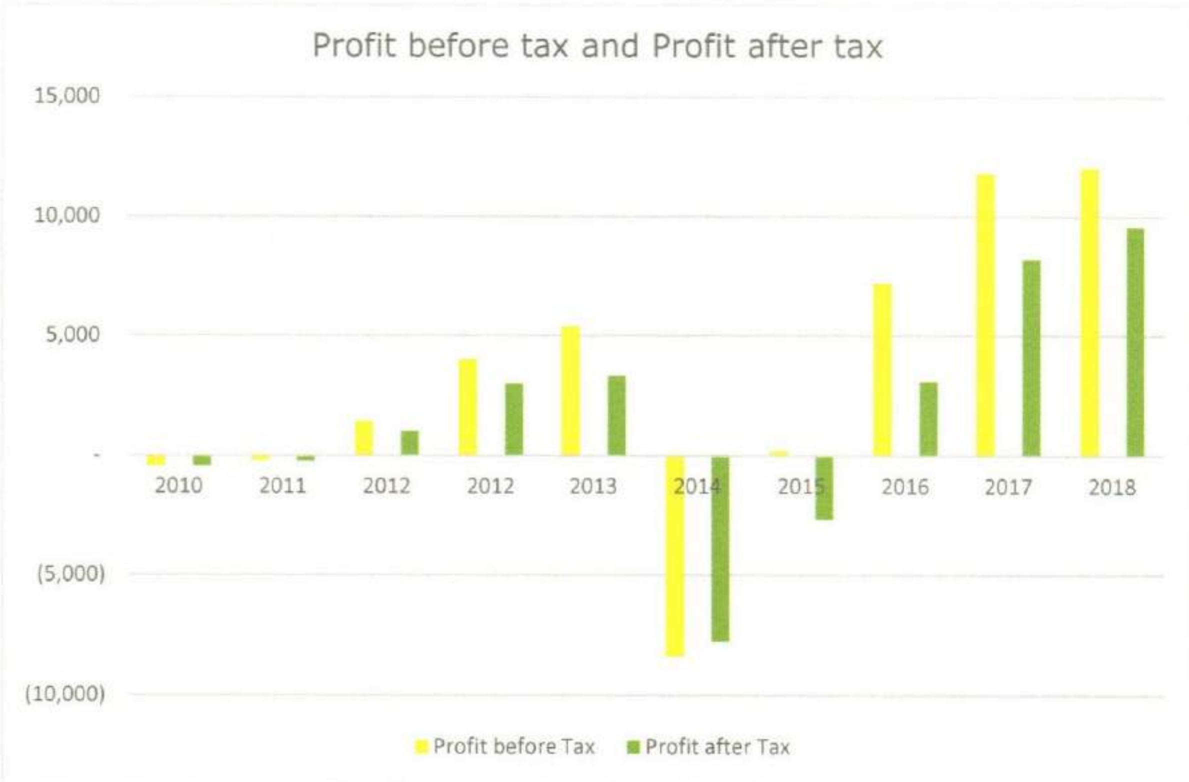
8-year company analysis
(All amounts are in thousands of Ghana cedis)

	At 28 February			At 31 December						
	2010	2011	2012	2012	2013	2014	2015	2016	2017	2018
Net interest income	-	1,839	10,973	18,279	32,710	34,663	31,133	36,935	42,772	104,750
Profit before tax	(437)	(204)	1,411	3,986	5,381	(8,389)	193	7,180	11,809	12,035
Profit after tax	(437)	(223)	1,017	2,988	3,321	(7,759)	(2,679)	3,079	8,197	9,572
Gross loan book	-	6,819	35,779	59,955	75,315	75,777	77,290	100,800	176,201	472,612
Net loan book	-	6,699	35,008	56,647	67,702	68,172	68,645	91,680	163,802	397,082



REPORT OF THE DIRECTORS (continued)

8-year company analysis (continued)
(All amounts are in thousands of Ghana cedis)



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 judgements 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 wholly owned subsidiary of Letshego Holdings Limited. Letshego incorporated in 1998, is headquartered in Gaborone and is publicly listed on the Botswana Stock Exchange.

Financial results

The financial results for the year ended 31 December 2018 are set out below:

	GHS
Profit before tax	12,035,070
from which is deducted income tax expense of	(2,462,776)
giving a profit for the year after income tax of	9,572,294
from which is deducted transfer to statutory reserve of	(4,786,147)
and income surplus account brought forward of	(1,405,583)
leaving an income surplus amount carried forward of	307,560

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2018.

REPORT OF THE DIRECTORS (continued)

Board meetings

The Company's Board met six times in 2018. The record of attendance is provided below

Name	2 March	7 March	5 June	30 July	4 September	26 November
Mr. Blaise Mankwa	√	√	√	√	√	√
Mr. Darren Bruce Sneddon	√	√	√	√	√	√
Mr. Arnold Kobina Parker	√	√	√	√	√	√
Mr. Ibrahim Obosu	√	√	√	√	√	√
Mrs. Karin McGeachie	X	X	X	X	X	X
Mr. Elly Ohene-Adu	X	√	√	√	X	√
Mr. Thomas Kocsis	X	√	√	X	√	√

Audit and Risk Committee meetings

The Company's Board Audit and Risk Committee met twice in 2018. The record of attendance is provided below

Name	7 March	26 November
Mr. Elly Ohene-Adu	√	√
Mr. Darren Bruce Sneddon	√	√
Mr. Arnold Kobina Parker	√	√
Mr. Thomas Kocsis	√	√

Name Change

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

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:

Name of Director:

Signature:

Name of Director:

Date: 29 April 2019

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 accompanying financial statements give a true and fair view of the financial position of AFB (Ghana) Plc as at 31 December 2018, 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 2018.

The financial statements on pages 13 to 62 comprise:

- the statement of financial position as at 31 December 2018;
- 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 on loans and advances to customers – GHS75.5 million The nature of the Company's largely unsecured lending exposes the Company to significant credit risk on its loans and advances to customers. Impairment of loans and advances to customers represents management's best estimate of the measurable decrease in the estimated future cash flows due to losses incurred within the loan portfolios at year end. The adoption of IFRS 9 – *Financial Instruments* – brought about the expected credit loss model replacing the incurred loss model used in the prior year. The assessment of the exposure at default (EAD) of customer advances requires the Company to exercise significant judgement in determining the required expected credit loss (ECL) on customer advances. The Company's advances to customers are typically higher volume, lower value and therefore a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the model process requiring significant management judgement include: ▪ the probability of default (PD); ▪ the loss given default (LGD); ▪ the criteria for assessing significant increase in credit risk (SICR); ▪ the definition of default adopted by the Company; and ▪ forward looking information and the determination of multiple economic scenarios. The disclosures associated with impairment of loans and advances to customers are set out in the financial statements on notes 3, 4.1, and 7.	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. We assessed the accounting policies and impairment methodologies applied by management against the requirements of IFRS 9. We considered external economic data and forecasts and whether management's forecasts appropriately reflected the possible economic consequences. We assessed the appropriateness of the impairment model used by management by carrying out procedures which included the following: ▪ We tested the adequacy of qualitative and quantitative factors applied in assessing significant increase in credit risk and default per management's definition; ▪ We tested the observable data underlying the PD and LGD determination; ▪ We tested the methodology used in determining the multi-scenario for 12-month and lifetime Probability of Default; and ▪ We tested the mathematical accuracy of the impairment calculation. We checked the appropriateness of IFRS 9 ECL disclosures.

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;

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

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

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

i) 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) the Company's transactions were within its powers; and

iv) the Company has, in all material respects, complied with the provisions of this Act.

With respect to the provisions of the Anti-Money Laundering Act, 2008 (Act 749) (as amended), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

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

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2019/028)

Chartered Accountants

Accra, Ghana

30 April 2019

STATEMENT OF FINANCIAL POSITION

(All amounts are in Ghana cedis)

		At 31 December	
		2018	2017
Assets	**Note**		
Cash and cash equivalents	5	**31,063,882**	5,710,289
Loans and advances to customers	7	**397,082,166**	163,802,468
Other assets	6	**11,950,828**	2,962,148
Deferred commission expense	8	**6,203,904**	-
Deferred income tax asset	15	**12,206,177**	1,501,611
Property and equipment	9	**3,690,401**	2,975,405
Intangible assets	10	**776,437**	696,878
Total assets		**462,973,795**	177,648,799
Liabilities			
Customer deposits	11	**47,905,750**	10,671,935
Other liabilities	12	**11,712,542**	5,180,778
Collateral security deposits	13	**84,593,884**	12,872,282
Deferred fee income	14	**10,946,642**	4,419,023
Current income tax	15	**16,419,230**	4,473,146
Borrowings	16	**246,354,763**	101,594,491
Total liabilities		**417,932,811**	139,211,655
Equity			
Stated capital	17	**30,546,314**	30,546,314
Income surplus account(deficit)	19	**307,560**	(1,405,583)
Statutory reserve	20	**14,041,880**	9,255,733
Share based payment reserve	21	**145,230**	40,680
Total equity		**45,040,984**	38,437,144
Total liabilities and equity		**462,973,795**	177,648,799

The notes on pages 17 to 62 are an integral part of these financial statements.

The financial statements on pages 13 to 62 were approved by the Board of Directors on ....29 April...... 2019 and signed on its behalf by:

Signature: **Signature:**

Name of Director: **Name of Director:**

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2018	2017
Interest income	22	**181,906,538**	61,830,136
Interest expense	23	**(77,156,977)**	(19,058,343)
Net interest income		**104,749,561**	42,771,793
Fee income	24	**10,404,876**	6,657,131
Commission expenses	26	**(26,226,016)**	(10,832,436)
Operating income		**88,928,421**	38,596,488
Impairment charge on financial assets	25	**(51,042,565)**	(3,422,421)
Personnel costs	28	**(10,485,306)**	(8,809,843)
Operating expenses	27	**(15,365,480)**	(14,555,714)
Profit before tax		**12,035,070**	11,808,510
Income tax expense	15	**(2,462,776)**	(3,612,399)
Profit for the year		**9,572,294**	8,196,111
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,572,294**	8,196,111
Earnings per share **Basic and diluted (Ghana cedis)**	18	**1.01**	0.87

The notes on pages 17 to 62 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 2017					
At 1 January 2017	30,546,314	(5,503,638)	5,157,677	-	**30,200,353**
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**
Year ended 31 December 2018					
At 1 January 2018	30,546,314	(1,405,583)	9,255,733	40,680	**38,437,144**
Changes on initial application of IFRS 9					
Increase in impairment provision (Note 2.1.1)	-	(4,097,339)	-	-	**(4,097,339)**
Effect of deferred tax (Note 15)	-	1,024,335	-	-	**1,024,335**
Restated balance at 1 January 2018	30,546,314	(4,478,587)	9,255,733	40,680	**34,364,140**
Profit for the year	-	9,572,294	-	-	**9,572,294**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	9,572,294	-	-	**9,572,294**
Transfer to statutory reserves	-	(4,786,147)	4,786,147	-	-
Share based payment reserve	-	-	-	104,550	**104,550**
At 31 December 2018	**30,546,314**	**307,560**	**14,041,880**	**145,230**	**45,040,984**

The notes on page 17 to 62 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in Ghana cedis)

	Note	Year ended 31 December 2018	2017
Cash flows from operating activities	29	**(84,508,866)**	(10,578,995)
Interest paid		**(30,082,032)**	(18,912,762)
Income tax paid	15	**(196,923)**	(2,989,155)
Net cash used in operating activities		**(114,787,821)**	(32,480,912)
Cash flows from investing activities			
Purchase of property and equipment	9	**(1,819,650)**	(940,516)
Proceeds from disposal of property and equipment	9	**241,200**	25,480
Purchase of intangible assets	10	**(214,359)**	(269,108)
Net cash used in investing activities		**(1,792,809)**	(1,184,144)
Cash flows from financing activities			
Drawdown from borrowings		**209,353,500**	49,864,420
Repayment of borrowings		**(75,444,950)**	(23,301,821)
Net cash generated from financing activities		**133,908,550**	26,562,599
Net decrease in cash and cash equivalents		**17,327,920**	(7,102,457)
Cash and cash equivalents at 1 January		**3,376,990**	10,479,447
Cash and cash equivalents at 31 December	5	**20,704,910**	3,376,990

The notes on page 17 to 62 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, 2017 (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 except for assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement 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 judgement 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

(i) IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening income surplus and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

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)

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

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2.3 below.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
Financial assets	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Cash and cash equivalents	Amortised cost (Loans and receivables)	5,710,289	Amortised cost	5,710,289
Loans and advances to customers	Amortised cost (Loans and receivables)	163,802,468	Amortised cost	159,705,129
Other assets	Amortised cost (Loans and receivables)	1,433,554	Amortised cost	1,433,554

There were no changes to the classification or measurement of financial liabilities.

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)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 Carrying amount 31 December 17	**Remeasurements**	**IFRS 9 Carrying amount 1 January 18**
Cash and cash equivalents – Amortised Cost			
Closing balance under IAS 39 and opening balance under IFRS 9	5,710,289	-	5,710,289
Loans and advances to customers – Amortised Cost			
Closing balance under IAS 39	163,802,468	-	-
Remeasurement: ECL allowance	-	4,097,339	-
Opening balance under IFRS 9	-	-	159,705,129
Other assets – Amortised Cost			
Closing balance under IAS 39 and opening balance under IFRS 9	1,433,554	-	1,433,554
Total financial assets	**170,946,311**	**4,097,339**	**175,043,650**

NOTES (continued)

2.1. Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39	Remeasurement	Loan loss allowance under IFRS 9
Loans and advances to customers	12,398,700	4,097,339	16,496,039
Total	**12,398,700**	**4,097,339**	**16,496,039**

Further information on the remeasurement of the impairment allowance under IFRS 9 can be found in note 2.3.

(ii) IFRS 15, Revenue from contracts with customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. Comparatives for the 2017 financial year are not restated.

(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 2018. 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 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.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

2.3 Financial assets and liabilities

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

2.3.1 Financial assets

Measurement methods

Amortised cost and effective interest rate

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

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

The Company classifies its financial assets as amortised cost. The directors determine the classification of its financial assets at initial recognition.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Measurement methods (continued)

Initial recognition and measurement

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

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

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

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

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

(i) Classification and subsequent measurement

From 1 January 2018, the Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Measurement methods (continued)

(i) Classification and subsequent measurement(continued)

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

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

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Measurement methods (continued)

(i) Classification and subsequent measurement(continued)

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

Equity instruments

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

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

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

(ii) Impairment

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

(iii) Modification of loans

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

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

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

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

(iv) Derecognition other than on a modification

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

Financial guarantee contracts and loan commitments

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

Financial guarantee contracts and loan commitments (continued)

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

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

(v) Accounting policies applied until 31 December 2017

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

Cash and cash equivalents

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

Other assets

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

2.3.2 Financial liabilities

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

2.3.4 Derecognition

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

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

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

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

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

2.3.5 Offsetting financial instruments

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

2.3.6 Fair value measurement

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities (continued)

2.3.6 Fair value measurement (continued)

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

2.3.7 Identification and measurement of impairment

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

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

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

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

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

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.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

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 realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

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.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

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.

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 judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Measurement of the expected credit loss allowance

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

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

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

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.

NOTES (continued)

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

Other accounting judgements, estimates and assumptions applied as at 31 December 2017

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, judgement 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.

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.

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.

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(i) Expected credit loss measurement

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

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

Significant increase in credit risk (SICR)

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

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

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(i) Expected credit loss measurement (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

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

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

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

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

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

The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs. — are monitored and reviewed on a quarterly basis.
There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

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

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(ii) Maximum exposure to credit risk

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

	2018	2017
Bank balances	**8,416,641**	2,706,032
Loans and advances to customers	**397,082,166**	163,802,468
Other assets (excluding prepayments)	**10,467,439**	1,433,554
	415,966,246	167,942,054

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.

(iii) Credit quality

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

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

	2018 Loans and advances	2017 Loans and advances
Neither past due nor impaired	**372,782,602**	143,700,707
Past due but not impaired	**67,476,907**	19,592,075
Impaired	**32,351,955**	12,908,386
Gross	**472,611,464**	176,201,168
Impairment loss	**(75,529,298)**	(12,398,700)
Carrying amount	**397,082,166**	163,802,468

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.

Bank balances and other assets are neither past due nor impaired.

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(iii) Credit quality (continued)

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:

	2018	2017
Past due up to 30 days	**35,571,816**	10,420,156
Past due up to 60 days	**19,151,285**	5,687,736
Past due up to 90 days	**12,753,806**	3,484,183
	67,476,907	19,592,075

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

The Company considers probabilities of default and loss given default in the determination of its expected credit loss allowance. The changes to the impairment allowance at 31 December 2018 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 2018, 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 370,826 (2017: GHS 32,902).

At 31 December 2018, 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 161,123 (2017: GHS 97,145).

(v) Concentration of credit risk

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

Concentration by product:

	2018	2017
Payroll loans	**238,088,515**	150,017,202
Direct loans	**-**	588,182
Smartcash loans	**3,115,055**	4,085,107
Edusolution	**1,716,461**	-
Mobile loans	**229,691,433**	21,510,677
Gross loans and advances to customers	**472,611,464**	176,201,168
Impairment loss	**(75,529,298)**	(12,398,700)
Carrying amount	**397,082,166**	163,802,468

NOTES (continued)

4. Financial risk management (continued)

4.1. Credit risk (continued)

(v) Concentration of credit risk (continued)

Concentration by customer segment:

	2018	2017
Formal	**239,804,976**	150,605,384
Informal	**232,806,488**	25,595,784
Gross loans and advances to customers	**472,611,464**	176,201,168
Impairment loss	**(75,529,298)**	(12,398,700)
Carrying amount	**397,082,166**	163,802,468

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.

(i) 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:

- 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;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- 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.

(ii) 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.

NOTES (continued)

4. Financial risk management (continued)

4.2. Liquidity risk (continued)

(iii) 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 below 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.

NOTES (continued)

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

(iii) Exposure to liquidity risk (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows for the non-derivative financial assets and liabilities held by the Company.

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

NOTES (continued)

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

(iii) Exposure to liquidity risk (continued)

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	152,976	-	12,026,244	-	12,179,220
Collateral security deposits	12,872,282	-	-	-	12,872,282
Other liabilities(less accrued expenses)	1,840,701	-	-	-	1,840,701
Total financial liabilities	20,776,033	4,038,541	53,541,107	105,961,854	184,317,535
Financial assets held for managing liquidity risk					
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	35,917,221	2,219,986	6,619,880	138,587,924	183,345,011
Net liquidity gap	15,141,188	(1,818,555)	(46,921,227)	32,626,070	(972,524)

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

4. Financial risk management (continued)

4.2 Liquidity risk (continued)

(iii) 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, 2018, if the currency had weakened/strengthened by 10% (2017: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GH¢ 2,088 (2017: GH¢778) higher/lower, mainly as a result of US dollar denominated bank balances.

(ii) Interest rate risk

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

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

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

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)

	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
At 31 December 2017						
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	18,557,591	12,090,647	56,044,982	-	101,594,491
Customer deposits	139,198	-	10,532,737	-	-	10,671,935
Collateral security deposits	-	-	-	-	12,872,282	12,872,282
Other liabilities	-	-	-	-	5,180,778	5,180,778
Total financial liabilities	17,373,768	18,557,591	22,623,384	56,044,982	18,053,060	130,319,486
Total interest repricing gap	12,504,862	(16,337,605)	(16,003,504)	82,542,942	(12,014,462)	53,025,525

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	212,077,622	2,033,621	4,067,242	6,100,863
1-3 months	(56,825,382)	(474,842)	(949,684)	(1,424,527)
3-12 months	(172,050,019)	(1,084,151)	(2,168,302)	(3,252,452)
Over 1 year	203,565,369	513,096	1,026,193	1,539,289
Total		**987,724**	**1,975,449**	**2,963,173**
Net interest income		104,749,561		
Impact on net interest income (2018)		**0.94%**	**1.89%**	**2.83%**
Impact on net interest income (2017)		0.26%	1%	0.77%

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:

- 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;
- To maintain a strong capital base to support the current and future development needs of the business; and.
- To comply with the capital requirements set by the Bank of Ghana.

(i) 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)

(i) Regulatory capital (continued)

(a) 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.

(b) 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.

	2018	2017
Tier 1 capital		
Ordinary share capital	**30,546,314**	30,546,314
Income surplus	**307,560**	(1,405,583)
Statutory reserves	**14,041,880**	9,255,733
Total disclosed reserves	**44,895,754**	38,396,464
Less: other regulatory adjustments		
Intangible assets	**(1,483,389)**	(1,528,594)
Total tier 1 capital	**43,412,365**	36,867,870
Tier 2 capital		
Share based payment reserve	**145,230**	40,680
Subordinated debt	**17,000,000**	-
Total tier 2 capital	**17,145,230**	40,680
Total regulatory capital	**60,557,595**	36,908,550
Risk-weighted assets	**490,856,525**	213,795,000
Capital adequacy ratio	**12.34%**	17.25%
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 2018

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

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
Collateral security deposits	-	12,872,282	12,872,282	12,872,282
Other liabilities	-	5,180,778	5,180,778	5,180,778
Total financial liabilities	-	130,319,486	130,319,486	134,885,372

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 2018, the Company classified its financial assets as 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:

	2018	2017
Cash in hand	**22,647,241**	3,004,257
Bank balance	**8,416,641**	2,706,032
Cash and bank balances	**31,063,882**	5,710,289
Bank overdraft(Note 16)	**(10,358,972)**	(2,333,299)
Cash and cash equivalents	**20,704,910**	3,376,990

6. Other assets

Prepayments	**1,483,389**	1,528,594
Sundry debtors	**10,467,439**	1,433,554
	11,950,828	2,962,148

All other assets are current.

7. Loans and advances to customers

Payroll loans	**238,088,515**	150,017,202
Direct loans	**-**	588,182
Smartcash loans	**3,115,055**	4,085,107
Edusolutions	**1,716,461**	-
Mobile loans	**229,691,433**	21,510,677
Gross loans and advances to customers	**472,611,464**	176,201,168
Less: Provision for impairment	**75,529,298**	12,398,700
Carrying amount	**397,082,166**	163,802,468
Current	**187,399,241**	34,966,523
Non-current	**191,682,925**	128,835,945
	397,082,166	163,802,468

Impairment analysed by product

Payroll loans	**19,239,033**	8,629,707
Direct loans	**-**	360,714
Smartcash loans	**2,078,825**	1,311,087
Edusolutions	**165,233**	-
Mobile loans	**54,046,207**	2,097,192
	75,529,298	12,398,700

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

7. Loans and advances to customers (continued)

Provision percentage of gross loans

	2018	2017
	%	%
Payroll loans	**8**	6
Direct loans	**-**	61
Smartcash loans	**67**	32
Edusolution	**10**	-
Mobile loans	**24**	10

Reconciliation of allowance for loan losses

Year ended 31 December 2018	**Total**
12-month expected credit loss provision	**37,910,045**
Life time expected credit loss provision not credit impaired	**11,533,449**
Life time expected credit loss provision credit impaired	**26,085,804**
At 31 December 2018	**75,529,298**

Year ended 31 December 2017	Specific impairment provision	Collective impairment provision	Total
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

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

8. Deferred commission expense

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

9. Property and equipment

Year ended 31 December 2018	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Capital work in progress	Total
Cost						
At 1 January 2018	1,962,345	905,779	1,473,661	2,073,799	-	**6,415,584**
Additions	564,257	130,288	199,097	193,077	732,931	**1,819,650**
Disposals	(384,401)	-	-	-	-	**(384,401)**
At 31 December 2018	**2,142,201**	**1,036,067**	**1,672,758**	**2,266,876**	**732,931**	**7,850,833**
Accumulated depreciation						
At 1 January 2018	951,741	680,996	685,443	1,121,999	-	**3,440,179**
Charge for the year	214,088	131,543	235,275	400,044	-	**980,951**
Disposals	(260,698)	-	-	-	-	**(260,698)**
At 31 December 2018	**905,131**	**812,539**	**920,718**	**1,522,043**	-	**4,160,432**
Net book amount	**1,237,070**	**223,528**	**752,040**	**744,833**	**732,931**	**3,690,401**

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

9. Property and equipment (continued)

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

Disposal of property and equipment

	2018	2017
Cost	**384,401**	39,777
Accumulated depreciation	**(260,698)**	(12,284)
Net book amount	**123,703**	27,493
Proceeds from disposals	**241,200**	25,480
Gain/(loss) on disposals	**117,497**	(2,013)

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

10. Intangible assets – computer software

	2018	2017
Cost		
At 1 January	**1,519,714**	1,250,606
Additions	**214,359**	269,108
At 31 December	**1,734,073**	1,519,714
Accumulated depreciation		
At 1 January	**822,836**	693,140
Charge for the year	**134,800**	129,696
At 31 December	**957,636**	822,836
Net book amount	**776,437**	696,878

11. Customer deposits

Term deposits	**47,776,808**	10,536,845
Smartsave deposits	**128,942**	135,090
	47,905,750	10,671,935

All amounts due to customers are current.

12. Other liabilities

Management fees	**3,829,522**	1,765,404
Payroll accrual	**304,446**	121,536
Withholding tax	**547,934**	82,297
Other accrued expenses	**7,030,640**	3,211,541
	11,712,542	5,180,778

All other liabilities are current.

13. Collateral security deposits

	2018	2017
Funding for mobile loans	**84,593,884**	12,872,282

Collateral security deposits represents amounts received from Jumo Ghana Limited as a partner in financing the Qwik loans product. The Company may set off losses secured against the security deposits.

14. Deferred fee income

	2018	2017
Deferred initiation fees	**10,946,642**	4,419,023

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

15. Income taxes

Income tax expense

	2018	2017
Current income tax	**11,541,253**	4,108,147
Deferred income tax credit	**(9,680,231)**	(1,086,174)
	1,861,022	3,021,973
National fiscal stabilisation levy	**601,754**	590,426
	2,462,776	3,612,399

The National fiscal stabilisation levy is assessed under the National Fiscal Stabilisation Levy Act, 2013 at 5% on the accounting profit before tax. The levy is not tax deductible.

Tax reconciliation

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

	2018	2017
Profit before tax	**12,035,070**	11,808,510
Tax using the corporate tax rate of 25%	**3,008,768**	2,952,128
Tax effect of:		
Permanent differences	**1,679,722**	69,845
Utilised carried forward forex losses	**(2,827,468)**	-
National fiscal stabilisation levy	**601,754**	590,426
Tax charge per income statement	**2,462,776**	3,612,399

Current income tax

Year of assessment	**At 1 January 2018**	**Charge to profit or loss**	**Payments in the year**	**At 31 December 2018**
Up to 2017	4,473,146	-	-	**4,473,146**
2018	-	12,143,007	(196,923)	**11,946,084**
	4,473,146	12,143,007	(196,923)	**16,419,230**

Year of assessment	At 1 January 2017	Charge to profit or loss	Payments in the year	At 31 December 2017
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

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

15. 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% (2017: 25%).

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

	2018	2017
At 1 January	**1,501,611**	415,437
Credited to profit or loss	**9,680,231**	1,086,174
IFRS 9 transition impact credited to equity	**1,024,335**	-
At 31 December	**12,206,177**	1,501,611

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

	At 1 January 2018	**IFRS 9 transition impact**	**(Charge)/ Credit to profit or loss**	**At 31 December**
Deferred income tax liabilities				
Property and equipment	48,667	-	(255,504)	**(206,837)**
Deferred income tax assets				
Allowance for loan losses	1,418,609	1,024,335	9,917,929	**12,360,873**
Other timing differences	34,335	-	17,806	**52,141**
Net deferred income tax assets	1,501,611	1,024,335	9,680,231	**12,206,177**

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

	2018	2017
Deferred tax asset to be recovered;		
Within 12 months	**52,141**	34,335
After more than 12 months	**12,154,036**	1,467,276
	12,206,177	1,501,611

16. Borrowings

Note Program	**235,995,791**	99,261,192
Bank overdraft	**10,358,972**	2,333,299
	246,354,763	101,594,491
Current	**57,376,441**	41,217,226
Non-current	**188,978,322**	60,377,265

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

16. Borrowings (continued)

	At 1 January	Drawdown	Interest expense	Repayments	At 31 December
Year ended 31 December 2018					
Note Program	**99,261,192**	**165,307,000**	**30,032,805**	**(58,605,206)**	**235,995,791**
Letshego Holdings Limited	**-**	**44,046,500**	**2,875,276**	**(46,921,776)**	**-**
	99,261,192	**209,353,500**	**32,908,081**	**(105,526,982)**	**235,995,791**
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**

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	Principal	Coupon rate
Three year bond			
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%
AFB1800	22 May 2023	39,964,400	182-day+ 4.75%
AFB1900	3 July 2023	4,726,000	182-day+ 5.0%
AFB2000	24 September 2023	10,000,000	182-day+ 5.0%
AFB2200	16 October 2023	21,310,000	182-day+ 5.0%
Six year bonds			
AFB1600	16 May 2024	24,000,000	19.10% Fixed
AFB1700	22 May 2024	42,609,600	182-day+ 5.0%
AFB2100	1 October 2024	3,518,000	182-day+ 5.0%
AFB2300	16 October 2024	19,179,000	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		**227,171,418**	

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 2018 and 2017 reporting periods.

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

16. 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 is a 90 day facility for working capital purposes and attracts interest at 24% per annum.

17. 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:

	31 December 2018 and 31 December 2017	
	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 (2017: Nil).

18. Earnings per share

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

	2018	2017
Profit attributable to equity holders	**9,572,294**	8,196,111
Weighted average number of shares issued	**9,453,968**	9,453,968
Basic earnings per share	**1.01**	0.87
Diluted earnings per share	**1.01**	0.87

19. 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.

20. Statutory reserve

Statutory reserve 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, 2017 (Act 930). The movement is included in the statement of changes in equity.

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

21. 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 2018, 841,100 total awards were outstanding (2017: 223,500) at grant date share price of GHS 0.173 for 2018 awards (2017: GHS 0.181).

	31 December 2018		31 December 2017	
	Fair values	**Number of awards**	Fair values	Number of awards
Reconciliation of outstanding awards				
Outstanding at beginning of the period	**40,680**	**223,500**	-	-
Granted during the year	**104,550**	**617,600**	40,680	223,500
Outstanding at the end of the year	**145,230**	**841,100**	40,680	223,500

No awards were exercised or forfeited during the year (2017: Nil).

The amounts outstanding at 31 December 2018 have average vesting periods of 24 months. The expense recognised during the period is disclosed in note 28.

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's, 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.

22. Interest income

	2018	2017
Loans and advances to customers	**180,268,756**	61,141,737
Bank deposits	**1,637,782**	688,399
	181,906,538	61,830,136

23. Interest expense

Note Program (note 16)	**30,032,805**	17,768,987
Related party loan (note 16)	**2,875,276**	307,684
Mobile loans collateral	**38,284,258**	-
Bank overdraft	**295,633**	460,677
Customer deposits	**5,669,005**	520,995
	77,156,977	19,058,343

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

24. Fee income

	2018	2017
Initiation fees	**5,668,834**	5,326,203
Insurance commissions	**4,404,461**	1,041,925
Other fees	**331,581**	289,003
	10,404,876	6,657,131

25. Impairment charge on financial assets

	2018	2017
Impairment charge on loans and advances	**50,719,864**	3,422,421
Impairment charge on other financial assets	**322,701**	-
	51,042,565	3,422,421
Analysis of impairment charge on loans and advances		
Payroll	**7,629,689**	8,204,934
Direct	**-**	599,000
Smart cash	**767,738**	2,500,713
Edusolution	**165,233**	-
Mobile loans	**32,825,024**	918,000
	41,387,684	12,222,647
Irrecoverable debts written-off	**11,621,384**	910,039
Debts recovered	**(2,289,204)**	(9,710,265)
	50,719,864	3,422,421

26. Commission expenses

	2018	2017
Merchant commissions	**6,094,053**	7,726,739
Collection commissions	**20,131,963**	3,105,697
	26,226,016	10,832,436

27. Operating expenses

Operating expenses include the following:

	2018	2017
(Gain)/loss from disposal of property and equipment	**(117,497)**	2,013
Depreciation and amortisation	**1,115,751**	1,394,016
Auditor's remuneration	**241,863**	159,282
Net foreign exchange (gain)/loss	**(93,786)**	78,397
Directors' emoluments	**260,400**	150,000

28. Personnel costs

	2018	2017
Wages and salaries	**6,746,993**	5,864,626
Employer pension contributions	**800,856**	500,359
Share based payment expense	**104,550**	40,680
Other staff related costs	**2,832,907**	2,404,178
	10,485,306	8,809,843

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

29. Cash generated from operating activities

Operating activities	2018	2017
Profit before tax	**12,035,070**	11,808,510
Depreciation (Note 9)	**980,951**	1,264,320
Amortisation (Note 10)	**134,800**	129,696
(Gain)/loss on disposal of property and equipment (Note 9)	**(117,497)**	2,013
Interest on bonds and intercompany loan (Note 23)	**32,908,081**	18,076,671
Increase in loans and advances to customers	**(237,377,037)**	(72,122,853)
Increase in other assets	**(8,988,680)**	(1,387,798)
Increase in deferred commission expense	**(6,203,904)**	-
Increase in customer deposits	**37,233,815**	10,671,935
Increase in other liabilities	**6,531,764**	3,646,524
Increase in mobile loan collateral funding	**71,721,602**	12,872,282
Increase in deferred fee income	**6,527,619**	4,419,023
Increase in share-based payment reserve	**104,550**	40,680
Cash used in operations	**(84,508,866)**	(10,578,995)

30. Related party transactions

The related party transactions are as follows:

	2018	2017
Loan from related party		
Letshego Holdings Limited	**44,046,500**	6,000,000
Interest payment to related party		
Letshego Holdings Limited	**2,875,276**	307,684

The amount with interest was fully paid during the year.

Details of related party balances are as follows:

Management fees		
Letshego Holdings Limited	**3,829,522**	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 27.

	2018	2017
Fees for services as directors	**260,400**	150,000

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

31. Contingent liabilities

There were no contingent liabilities at 31 December 2018 (2017: Nil).

32. Capital commitments

There were no capital commitments at 31 December 2018 (2017: Nil).

33. Events after reporting period

There were no events after the end of the reporting period, which could have had a material effect on the state of affairs of the Company as at 31 December 2018 and on the results for the year then ended which have not been adequately provided for and/or disclosed.