



LETSHEGO GHANA SAVINGS AND LOANS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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CORPORATE INFORMATION







Directors	Mr Blaise Mankwa Mr Arnold Kobina Parker Mr Ibrahim Obosu Mr. Geoffery Kitakule	Independent Chairman Executive Director Executive Director Non-Executive Director
Company secretary	Sirdar Ghana Limited C934/3, 5th Crescent Asylum Down, Accra P. O. Box KN 1532 Accra	
Solicitors	Bentsi Enchill Lesta & Ankomah 4 Momotse Avenue Adabraka, Accra P. O. Box GP 1632 Accra	
Registered office	4th Floor, Cocoshe House Off Agostino Neto Road Airport City Accra Ghana	
Auditor	Ernst & Young Chartered Accountants 15 White Avenue Airport Residential Area P. O. Box 16009 Airport, Accra	
Bankers	Universal Merchant Bank Limited Barclays Bank of Ghana Limited Standard Chartered Bank Limited Fidelity Bank Ghana Limited	

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Letshego Ghana Savings and Loans PLC ('the Company') for the year ended 31 December 2021.

Principal activities

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

 Payroll Loans	 Mobile	 Education
<p>Letshego Ghana provides unsecured payroll deduction loans to Government and corporate employees in Ghana.</p> <p>Loan values range in value from GHS 100 to GHS 60,000.</p> <p>Repayment terms are from 3 to 72 months.</p>	<p>Mobile loan product (Qwikloan) is offered to customers on a short-term basis with repayment via mobile deduction.</p> <p>Loans are repayable in 30 days.</p>	<p>Our Edusolution is purposefully designed to support micro, small and medium-sized entrepreneurs in the educational sector with a current emphasis on private basic schools.</p>
 Insurance	 Rewards Gold Card	 LetsGo
<p>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</p> <p>Risks currently covered include:</p> <ul style="list-style-type: none"> ▶ Life ▶ Accidental death ▶ Disability ▶ Critical illness ▶ Retrenchment 	<p>Letshego Ghana loan customers qualify for our Rewards Gold Card program, which offers additional benefits including;</p> <ul style="list-style-type: none"> • Free accidental death cover • Discounts with select Ghanaian retailers 	<p>LetsGo uses a simple mobile to mobile technology solution.</p> <p>Customers use an active mobile wallet to deposit and withdraw on a 24/7 creating a fully accessible savings product.</p>

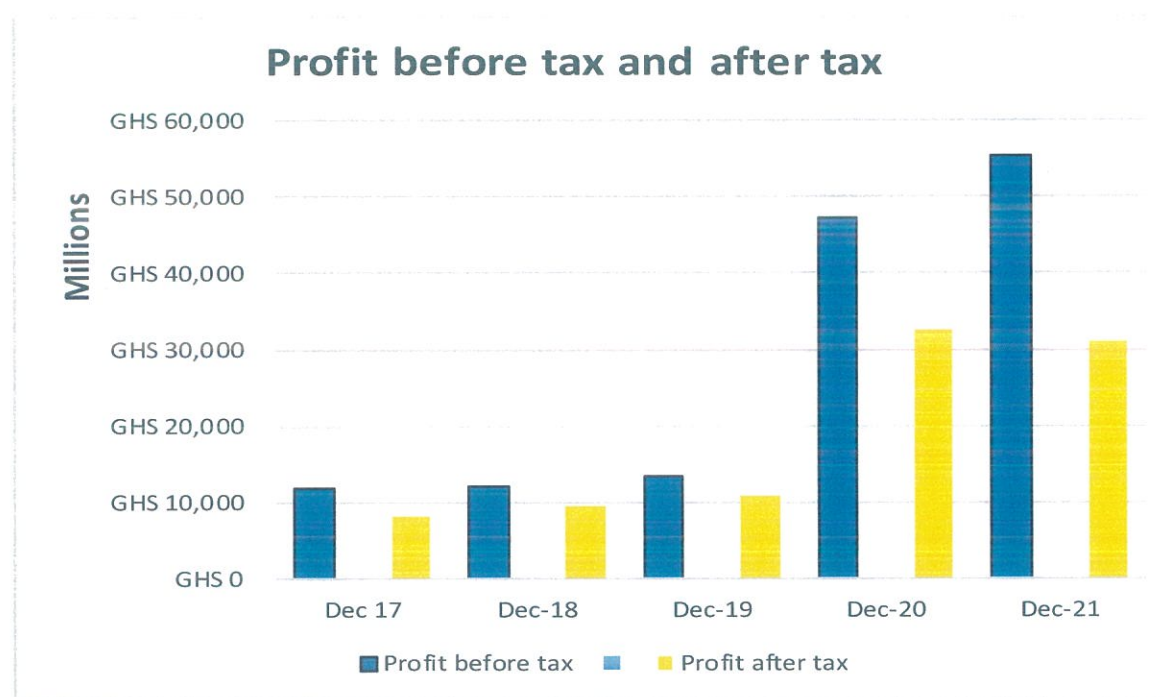
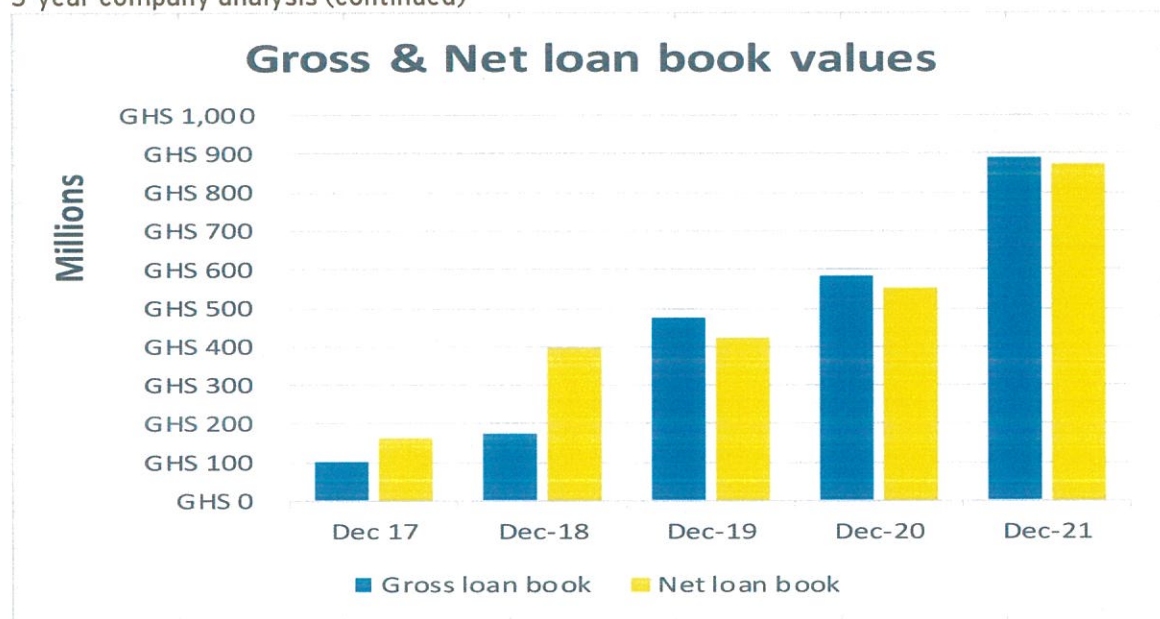
REPORT OF THE DIRECTORS (CONTINUED)

5-year company analysis

	GHS ' 000				
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Net Interest Income	GHS 42,772	GHS 104,750	GHS 129,013	GHS 79,697	GHS 91,214
Fee income	GHS 6,657	GHS 10,405	GHS 13,841	GHS 19,983	GHS 20,096
Profit before tax	GHS 11,809	GHS 12,035	GHS 13,444	GHS 47,184	GHS 55,235
Net loan book	GHS 163,802	GHS 397,082	GHS 421,964	GHS 552,484	GHS 872,728

REPORT OF THE DIRECTORS (CONTINUED)

5-year company analysis (continued)



REPORT OF THE DIRECTORS (CONTINUED)

Statement of directors' responsibilities

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

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

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

Holding company

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

Financial results

The financial results for the year ended 31 December 2021 are set out below:

	GHS
Profit before tax	55,234,774
From which is deducted income tax expenses of	(24,075,128)
giving a profit for the year after income tax of	31,159,646
from which is deducted transfer to statutory reserve of	(15,579,823)
and income surplus account brought forward of	22,007,352
leaving an income surplus amount carried forward of	37,587,175

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2021 (2020: nil).

REPORT OF THE DIRECTORS (CONTINUED)

Board meetings

The Company's Board met four times in 2021. The record of attendance is provided below:

Name	Mar 2021	May 2021	Jul 2021	Aug 2021
Mr. Blaise Mankwa	✓	✓	✓	✓
Mr. Arnold Kobina Parker	✓	✓	✓	✓
Mr. Ibrahim Obosu	✓	✓	✓	✓
Mr. Geoffery Kitakule	✓	✓	✓	✓

Audit and Risk Committee meetings

The Company's Board Audit and Risk Committee met in 2021. The record of attendance is provided below:

Name	Mar 2021	May 2021	Aug 2021
Mr. Blaise Mankwa	✓	✓	✓
Mr. Arnold Kobina Parker	✓	✓	✓
Mr. Geoffery Kitakule	✓	✓	✓
Mrs. Akua Donnir (Invitee)	✓	✓	✓
Mr. Emmanuel Y Boafo (Invitee)	✓	✓	✓

Directors and their interests

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

REPORT OF THE DIRECTORS (CONTINUED)

Capacity building of directors to discharge their duties

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

Auditor and Audit fees

The auditor, Ernst and Young, has expressed willingness to accept appointment to be auditors for Letshego Ghana Savings and Loans PLC in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992). As at 31 December 2021, the amount payable in respect of audit fees was GH¢ 350,000.

Initial assessment on the impact of Covid-19

The global COVID-19 Pandemic and its emergence in Ghana in the last Quarter of 2019 and steady rise in infections in the year 2021 claimed several lives and resulted in severe human and health crisis leading to unquantifiable socio-economic consequences on Individuals and businesses as a whole. With over 170 staff and front liners working fervently to ensure continuity of business, Letshego Ghana maintained resilience and performance remained strong amid the impact of COVID-19 on the industry's performance in the year 2021.

Businesses in the last 2 years since the emergence of COVID in Ghana, have witnessed severe disruptions in operations with mass layoffs and temporary closures due to the projected impact on earnings especially for the service Industry.

Letshego Ghana Savings and Loans encountered its fair share of business disruptions, incurred and absorbed high operational expenses in the year 2021 in efforts to remain relevant in the industry and provide its customers with easy and accessible financial solutions to improve their lives. Whilst operating and maintaining a cohort system with few staff working from the office and majority from home, IT logistics were deployed for working from home staff including the purchase laptops, mifis, routers and frequent purchase of data bundles to prevent business disruptions controllable by human efforts. Budgets were also allocated for the purchase PPEs (Personal protective equipment) for office and staff use to manage and control the spread of the virus.

The business also instituted periodic fumigation of branches and COVID testing for all staff increasing the cost of operations.

Amid the uncertainties surrounding working remotely, the business also witnessed operational disruptions with rampant internet connectivity challenges in some locations and VPN downtime causing delay in customer resolutions and increased turnaround time. These disruptions resulted in few customer challenges which the business sought to resolve timeously.

Some key staff in the peak of the COVID infections in the year, contracted the virus and had to undergo self-isolation and treatment to ensure their health and safety which had adverse effects on project timelines and progress of scheduled activities planned for the year.

Overall, the MSME (Medium to Small Micro Enterprises) unit of the business was the worst affected since all the customers were in the educational sector which was closed by Government. This resulted in a halt in disbursement and slow growth of the portfolio in the year 2021. Notable of the challenges faced on this portfolio was non-payment and under-payment of expected monthly instalments from schools under the Edusolution portfolio post COVID resumption.

In the phase of the collapse in business activities across the country and economic remodelling the pandemic unleashed, Letshego Ghana remained focused in its mission to improve lives and leveraged on technology in the provision of easy and safe financial solutions to its customers.

By Order of the Board

Signature: 

Name of Director: Blair O. Mankwa

Date: 04/05/2022

Signature: 

Name of Director: Arnold Parker

04/05/2022

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Letshego Ghana Savings and Loans Plc (the Company) set out on pages 14 to 76, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit -Taking Institutions Act, 2016 (Act 930).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans and advances to customers	
<p>IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model.</p> <p>The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.</p> <p>The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since the initial recognition and recognition of impairment could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that takes into account:</p> <ul style="list-style-type: none"> ▸ The probability-weighted outcome. ▸ Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Company's Expected Credit Loss includes: ▸ Use of assumptions in determining ECL modelling parameters. ▸ portfolio segmentation for ECL computation ▸ Determination of a significant increase credit risk and ▸ Determination of associations between macroeconomic scenarios. <p>The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on loans and advances to customers. Due to the significance of such loans and the significant use of judgements, the assessment of the allowance for expected credit losses is a key audit matter.</p> <p>A total amount of GH¢4,962,795 has been recorded in the statement of comprehensive income for the year as impairment charge. The total impairment provision held as at 31 December 2020 in accordance with IFRS 9 impairment rules was GH¢ 18,858,185.</p> <p>Further disclosures relating to these amounts and the Bank's accounting policies regarding estimating these ECLs have been disclosed in note 4, 7 and note 28 respectively of these financial statements.</p>	<p>We have obtained an understanding of the Company's implementation process of IFRS 9, including understanding of the changes to the Company's IT systems, processes and controls. Additionally, we obtained an understanding of the credit risk modelling methodology.</p> <p>We validated and tested the ECL model of the Company by assessing the data integrity and the internal controls around the model.</p> <p>We have also performed, among others, the following substantive audit procedures:</p> <ul style="list-style-type: none"> ▸ Reviewed the accounting policies and framework methodology developed by the Company in order to assess its compliance with IFRS 9; ▸ Verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model. ▸ Reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9, concentrating on aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) ▸ Tested the accuracy and completeness of data used in modelling the risk parameter, Recalculating the ECL, ▸ Reviewed forward looking information / multiple economic scenario elements ▸ For stage 3 exposures, we tested the reasonableness of the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral, estimated period of realisation for collaterals, etc. ▸ We have also analysed information relating to the allowance for expected credit losses on loans and advances to customers disclosed in the notes to the financial statements of the Company.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 90-page document titled "Letshego Ghana Savings and Loans Plc. Annual Report and Financial Statements for the year ended 31 December 2021", other than the financial statements and our auditor's reports thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

Report on other legal requirements

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


- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books;

- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and
- The statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.
- In our opinion, to the best of our information and according to the explanations given to us, the accounts give the information required under the Act, in the manner so required and give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year then ended.
- We are independent of the Bank pursuant to section 143 of the companies Act, 2019 (Act 992).

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

- The accounts give a true and fair view of the statement of affairs of the company and the results of operations for the year under review;
- We were able to obtain all the information and explanations required for the efficient performance of our duties;
- The transactions of the company are generally within the powers of the company;
- The company has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).
- The company has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;

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



Ernst & Young (ICAG/F/2022/126)
Chartered Accountants
Accra, Ghana

Date: 04/05/2022

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

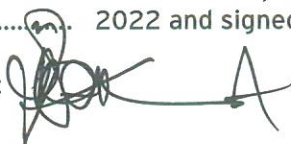
(All amounts are in Ghana cedis)

		<u>At 31 December</u>	
		2021	2020
Assets	Note		
Cash and bank balances	5	141,299,577	69,105,279
Investment securities	6	257,803,447	37,105,200
Loans and advances to customers	7	872,728,249	552,484,130
Other assets	8	28,042,277	3,602,589
Deferred income tax asset	16d	11,954,306	16,735,151
Property and equipment	9	3,104,398	2,983,606
Right of use assets	10	3,429,625	1,300,730
Intangible assets	11	<u>1,052,983</u>	<u>1,521,313</u>
Total assets		<u>1,319,414,862</u>	<u>684,837,998</u>
Liabilities			
Customer deposits	12	129,855,016	27,772,825
Collateral Deposits	15	364,409,846	141,890,098
Other liabilities	13	36,777,050	29,732,155
Lease liabilities	14	65,752	5,754
Current income tax	16c	13,247,319	25,760,043
Borrowings	17	<u>654,831,525</u>	<u>370,638,674</u>
Total liabilities		<u>1,199,186,508</u>	<u>595,799,549</u>
Equity			
Stated capital	18	30,546,314	30,546,314
Retained earnings	20	37,587,175	22,007,352
Statutory reserves	21	51,321,485	35,741,671
Share based payment reserve	22	<u>773,380</u>	<u>743,112</u>
Total equity		<u>120,228,354</u>	<u>89,038,449</u>
Total liabilities and equity		<u>1,319,414,862</u>	<u>684,837,998</u>

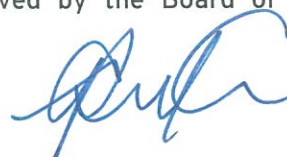
The notes 1 to 35 form an integral part of these financial statements

The financial statements on pages 14 to 76 were approved by the Board of Directors on 2022 and signed on its behalf by:

Signature:



Signature:



Name of Director: Blaise O. Mantwa

04/05/2022

Name of Director:

ARNAS PARKER
04/05/2022

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are in Ghana cedis)

		Year ended 31 December	
	Note	2021	2020
Interest income calculated using the effective interest rate method	23a	383,087,301	230,571,659
Other Interest and similar income	23b	1,741,921	1,483,088
Interest expense calculated using the effective interest rate method	24a	(277,038,020)	(144,109,246)
Interest and similar expense	24b	<u>(16,577,606)</u>	<u>(2,279,236)</u>
Net interest income		91,213,596	85,666,265
Fee income	25	20,096,169	7,345,954
Commission expenses	26	<u>(18,281,557)</u>	<u>(15,872,244)</u>
Net fee and commission expense		1,814,612	(8,526,290)
Other Operating Income	27	8,421,322	167,700
Operating income		101,449,530	77,307,675
Impairment charge on loans and advances	28	(4,962,795)	16,812,700
Personnel costs	29	(15,657,783)	(13,907,771)
Operating expenses	30	(25,594,178)	(33,028,560)
Profit before tax		55,234,774	47,184,044
Income tax expense	16a	(24,075,128)	(14,570,174)
Profit for the year		31,159,646	32,613,870
Total comprehensive income for the year		31,159,646	32,613,870
Earnings per share			
Basic and diluted (Ghana cedis)	19	3.30	3.45

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

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are in Ghana cedis)

	Stated capital	Retained earnings	Statutory reserves	Share based payment reserve	Total
At 1 January 2021	30,546,314	22,007,352	35,741,671	743,112	89,038,449
Total comprehensive income	-	31,159,646	(9)	-	31,159,637
Transfer to statutory reserves	-	(15,579,823)	15,579,823	-	-
Share based payment reserve	-	-	-	<u>30,258</u>	<u>30,258</u>
At 31 December 2021	<u>30,546,314</u>	<u>37,587,175</u>	<u>51,321,485</u>	<u>773,380</u>	<u>120,228,354</u>
At 1 January 2020	30,546,314	5,700,417	19,434,736	378,525	56,059,992
Total comprehensive income	-	32,613,870	-	-	32,613,870
Transfer to statutory reserves	-	-16,306,935	16,306,935	-	-
Share based payment reserve				<u>364,587</u>	<u>364,587</u>
Year ended 31 December 2020	<u>30,546,314</u>	<u>22,007,352</u>	<u>35,741,671</u>	<u>743,112</u>	<u>89,038,449</u>

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

LETSHEGO GHANA SAVINGS AND LOANS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are in Ghana cedis)

	Note	Year ended 31 December	
		2021	2020
Cash flows from operating activities	31	114,529,212	20,734,040
Interest paid	17	(78,816,255)	(50,405,877)
Interest received (Treasury Bonds)	6	6,159,102	---
Lease liability - Interest	14	(358,410)	(10,146)
Income tax paid	16	(31,807,007)	(6,302,529)
Net cash from/ (used in) operating activities		9,706,642	(35,974,366)
Cash flows from investing activities			
Purchase of property and equipment	9	(1,564,044)	(1,070,109)
Purchase of Treasury Bonds	6	(220,944,046)	(37,105,200)
Redemption of Treasury Bonds	6	2,000,000	-
Proceeds from disposal of property and equipment	9	58,900	176,339
Purchase of intangible assets	11	(540,436)	-
Payment for right of use of assets		(4,458,465)	(1,894,811)
Net cash used in investing activities		(225,448,091)	(39,893,781)
Cash flows from financing activities			
Drawdown from borrowings	17	400,311,695	152,659,432
Repayment of borrowings	17	(112,332,749)	(53,445,764)
Lease liability - Principal	14	(43,200)	(1,862,416)
Net cash generated from financing activities		287,935,746	97,351,252
Net increase in cash and cash equivalents		72,194,298	21,472,959
Cash and cash equivalents at 1 January 2021		69,105,279	47,632,320
Cash and cash equivalents at 31 December	5	141,299,577	69,105,279

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

1. General information

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.2 Changes in accounting policies and disclosures

2.2.1 Interest Rate Benchmark Reform ("IBOR reform")

Interest Rate Benchmark Reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an InterBank Offered Rate (an IBOR) with an alternative nearly risk-free interest rate (an RFR). For the purposes of these financial statements, the bank does not have any exposures to IBORs that are subject to reform and therefore the amendments had no impact.

2.3. New and amended standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

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

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

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

2. BASIS OF ACCOUNTING AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3. New and amended standards and interpretations issued but not yet effective (Continued)

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

Reference to the Conceptual Framework - Amendments to IFRS 3

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

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

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

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

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

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

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

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

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

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

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

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

2. BASIS OF ACCOUNTING AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3. New and amended standards and interpretations issued but not yet effective (Continued)

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

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

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

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

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

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

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

IAS 41 *Agriculture* - Taxation in fair value measurements

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

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

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

2. BASIS OF ACCOUNTING AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3. New and amended standards and interpretations issued but not yet effective (Continued)

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirement for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans - e.g. a loan with waiver on death - have an option to apply IFRS 9 or IFRS 17. The election

would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank is currently in the process of assessing the impact of adopting IFRS 17 on its financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

2. Summary of significant accounting policies (continued)

2.4 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.

2.5 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.

2.5.1 Financial assets

Measurement methods

Amortised cost

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 at fair value through other comprehensive income and fair value through profit or loss. The Directors determine the classification of its financial assets at initial recognition.

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

2. Summary of significant accounting policies (continued)

2.5.1 Financial assets (continued)

Measurement methods (continued)

Amortised cost and effective interest rate (continued)

Initial recognition and measurement

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

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

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

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(i) Classification and subsequent measurement(continued)

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

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

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

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

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

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

(ii) Impairment

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

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

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

(iii) Modification of loans

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

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

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

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

(iv) Derecognition other than on a modification

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

Financial guarantee contracts and loan commitments

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

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

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

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.1 Financial assets (continued)

Financial guarantee contracts and loan commitments (continued)

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

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

The Company's financial assets consists of the following:

Loans and advances to customers

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

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.

Investment Securities

Investment securities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the company does not intend to sell immediately or in the near term. These are initially measured at fair value plus incremental direct and subsequently measured at amortised cost using the effective interest rate method.

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. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.2 Financial liabilities

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

Borrowings and customer deposits

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

Other liabilities

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

Cash collateral

Cash collateral consist of cash deposit received as security for the mobile loans from Jumo Ghana and it is held as a collateral.

2.5.3 Recognition

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

2.5.4 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.

2. Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.4 Derecognition (continued)

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.

2.5.5 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.

2.5.6 Fair value measurement

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

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

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

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

2.5.7 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.

2. Summary of significant accounting policies (continued)

2.5. Financial assets and liabilities (continued)

2.5.7 Identification and measurement of impairment (continued)

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

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

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

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

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

2.6. The Company as a lessee

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

Right-of-use assets

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

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

2. Summary of significant accounting policies (continued)

2.6. Leases (continued)

Lease liabilities

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

2.6.2. Company as a lessor

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

2.7 Intangible assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

Property, plant 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 prorata 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.

2.9 Impairment of non-financial assets

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

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

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

2.10 Provisions

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

2. Summary of significant accounting policies (continued)

2.11 Income tax

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

Current income tax

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

Deferred income tax

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

Deferred income tax (continued)

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

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

2.12 Interest income and expense

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

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

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

2. Summary of significant accounting policies (continued)

2.13 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.

2.14 Stated capital

Ordinary shares are classified as “stated capital” in equity.

2.15 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.

2.16 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.

2.17 Share-based payment transactions

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.17 Share-based payment transactions (continued)

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

2.18 Contingent liabilities

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

2.19 Deferred income

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

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

3. Critical accounting estimates and judgements in applying accounting policies

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

Measurement of the expected credit loss allowance

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

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

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

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

Effective Interest Rate (EIR) method

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

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

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

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

Estimating the incremental borrowing rate

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

Deferred tax asset recovery plan

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

Share-based payment transactions

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



4. Financial risk management

4.1 Financial risk

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

4.1.1 Credit risk

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

Key metrics	YoY Trend	2021	2020
Loan loss Rate (%)		1.3%	-4.3%
Non-performing loans as a percentage (%) of gross advances		6.1%	7.3%
Non-performing loans coverage ratio (%)		164%	143%

4.1.2 Impairment

In 2021, the country prioritised improvement in asset quality and book growth, this resulted in a material increase in provisions driven by loan book growth driven by mobile book verses deterioration in book quality. The portfolio is enjoying increased stability and continued and continued enhancement in credit risk management.

4.1.3 Write-off policy

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

4.1.4 Approach to managing credit risk

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

4. Financial risk management (continued)

4.1.5 Credit risk mitigation

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

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

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

We adhere to rules / legislation around affordability. In most countries in the Country an independent 'central registry' or 'gatekeeper' ensures that affordability rules are adhered to in addition to internal controls in place.

4.1.5 Credit risk stress testing

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

4. Financial risk management (continued)

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

General steps considered in applying IFRS 9 Impairment

The following steps illustrates the general steps that the Company considers when calculating IFRS 9 Impairment.

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

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements taken into consideration are as below;

Determining a significant increase in credit risk since initial recognition (SIRC)

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

Indicators of SICR include any of the following:

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

4. Financial risk management (continued)

4.2 Impairment Calculation

Two types of PDs are considered under IFRS 9:

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

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

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

Diagram 1

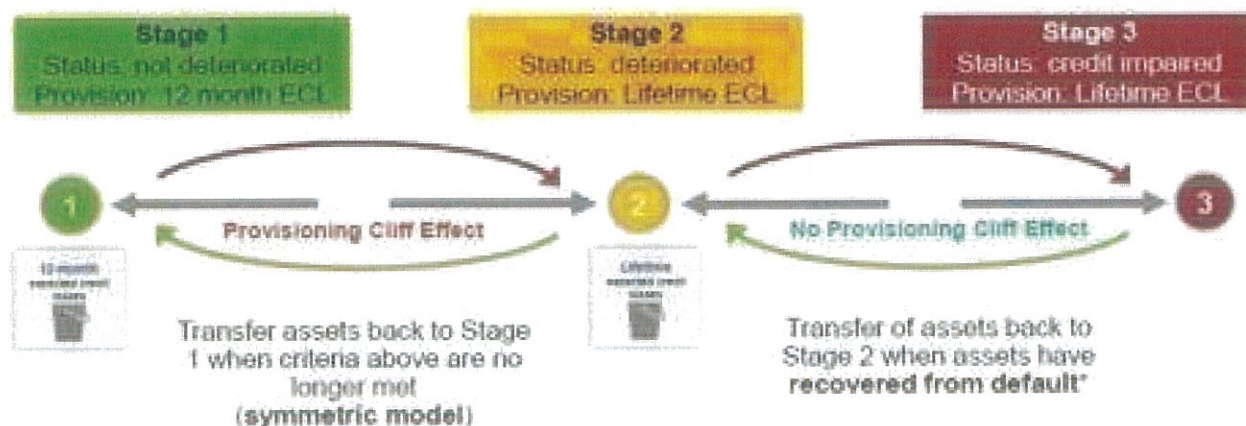
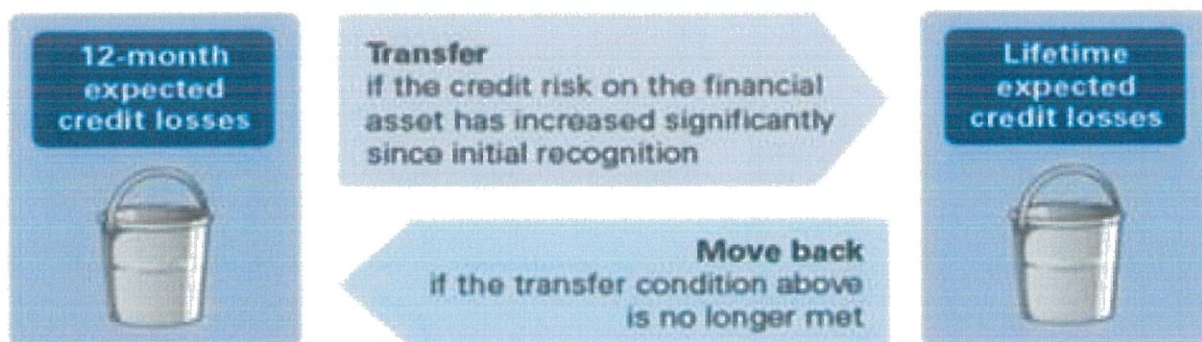


Diagram 2



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

4. Financial risk management (continued)

4.2 Impairment Calculation (continued)
Quantitative element

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

Qualitative Element

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

Backstop Criteria

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

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

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio). All macroeconomic factors used will be approved at high level by the credit committee. This is also based on the correlation exercises done.

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

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

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

4. Financial risk management (continued)

4.2 Impairment Calculation (continued)

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

Default is not defined under IFRS 9. The company bases default upon its own definition used in its internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results. The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g., breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default. Indications of inability to pay include:

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

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

Discounting

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

Modelling techniques

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

Renegotiated loans treatment

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

4. Financial risk management (continued)

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4.2 Impairment Calculation (continued)

Loans and advances to customers

31-Dec-21	Gross advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net advances
Mobile	375,611,970	(2,160,462)	(1,263,412)	(2,662,635)	369,525,462
Payroll	514,000,939	(353,325)	(57,329)	(12,178,437)	500,810,016
Edusolution	2,575,357	(92,908)	(78,891)	(10,787)	2,392,771
Total at 31 December 2021	891,586,434	(2,606,695)	(1,399,632)	(14,851,859)	872,728,249
31-Dec-20	Gross advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net Advances
Mobile	170,268,019	(1,472,536)	(4,081,012)	(2,702,753)	162,011,718
Payroll	409,591,453	(8,621,408)	(1,352,950)	(11,196,074)	388,421,021
Edusolution	2,559,207	(46,873)	(152,301)	(308,642)	2,051,391
Total at 31 December 2020	582,418,679	(10,140,817)	(5,586,263)	(14,207,469)	552,484,130

Below is a summary of the expected credit losses as at 31 December 2021:

Operating Segments 31 December 2021 Ghs	IFRS 9 ECL Provisions at 31 December 2021				IFRS 9 ECL Provisions at 31 December 2020			
	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance - not credit- impaired	Stage 3: Lifetime ECL allowance - credit- impaired	Total ECL on 31 December 2020	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance - not credit- impaired	Stage 3: Lifetime ECL allowance - credit- impaired	Total ECL on 31 December 2019
Financial assets Ghana	(11,641,688)	22,472,577	8,027,296	18,858,185	7,943,174	10,758,948	11,232,426	29,934,548
Total	(11,641,688)	22,472,577	8,027,296	18,858,185	7,943,174	10,758,948	11,232,426	29,934,548

4. Financial risk management (continued)

4.2 Impairment Calculation (continued)

	At 31 December 2021	At 31 December 2020
	(IFRS 9)	(IFRS 9)
Gross advances to customers	891,586,434	582,418,680
Of which stage 1 and 2	833,254,979	539,076,219
Of which stage 3	58,331,455	43,342,461
Expected credit loss provisions	(18,858,185)	(29,934,550)
Of which stage 1 and 2	(2,753,947)	(29,426,734)
Of which stage 3	(16,104,238)	(507,816)
Net advances to customers	872,728,249	552,484,130
Of which stage 1 and 2	830,501,032	509,649,485
Of which stage 3	42,227,217	42,834,645
Impairment (ECL) Coverage Ratio	-2%	-5%
Stage 3 coverage ratio	-28%	-1%

As a predominantly Government Deduction at Source (DAS) business, Letshego Ghana was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that the government had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends. As such our collection rate was 97% for DAS. This was demonstrated by a double digit loan book growth, loan loss rate and Stage 3 ratio which are well below market trends. This was underpinned by strong collection and recoveries strategies inclusive of experienced front-office, risk management teams with sector expertise and long-standing government/customer relationships.

4. Financial risk management (continued)

4.3 Maximum exposure to Credit Risk

(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:

	2021	2020
Concentration by product:		
Payroll loans	513,399,107	409,591,453
Edusolution	2,575,357	2,559,208
Mobile loans	<u>375,611,970</u>	<u>170,268,019</u>
Gross loans and advances to customers	891,586,434	582,418,680
Impairment	(18,858,185)	(29,934,550)
Carrying amount	872,728,249	552,484,130
 Concentration by customer segment:		
Formal	515,974,464	412,150,660
Informal	<u>375,611,970</u>	<u>170,268,678</u>
Gross loans and advances to customers	891,586,434	582,419,338
Impairment	(18,858,185)	(29,934,550)
Carrying amount	872,728,249	552,484,788
 Loans and advances to customers		
Neither past due nor impaired	697,798,783	521,175,961
Past due but not impaired	139,616,564	17,900,258
Impaired	<u>54,171,087</u>	<u>43,342,459</u>
Gross	891,586,434	582,418,678
Impairment loss	(18,858,185)	(29,934,550)
Carrying Amount	872,728,249	552,484,128

4. Financial risk management (continued)

4.3 Maximum exposure to Credit Risk (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
Gross Carrying amount as at 1 Jan 2021	7,943,174	10,758,948	11,232,426	29,934,548
New Asset Originated or Purchased	1,209,973	225,365	6,158,910	7,594,248
Transfer to Stage 1	(19,064,686)	19,064,686	-	-
Transfer to Stage 2	(18,346)	145,116	(216,390)	(89,620)
Transfer to Stage 3	(1,711,803)	(7,721,538)	(9,147,650)	(18,580,991)
At 31 December 2021	(11,641,688)	22,472,577	8,027,296	18,858,185
Gross Carrying amount as at 1 Jan 2020	8,275,448	7,531,789	39,665,681	55,472,918
New Asset Originated or Purchased	2,963,845	5,491,472	309,182	8,764,499
Assets derecognised or repaid (excluding write offs)	(4,868,454)	(4,317,308)	(29,963,833)	(39,149,595)
Re -measurement of loss allowance	1,572,335	1,431,040	1,843,351	4,846,726
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	199,540	(199,540)	-
Transfer to Stage 3	-	422,415	(422,415)	-
At 31 December 2020	7,943,174	10,758,948	11,232,426	29,934,548

Reconciliation of allowance of loans

	2021	2020
1st January	29,934,548	55,472,918
Charge during the year	(11,076,363)	(25,538,370)
At 31 December	18,858,185	29,934,548

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.

4. Financial risk management (continued)

4.3 Maximum exposure to Credit Risk (continued)

Expected credit losses: Stress Testing and Sensitivity Analysis

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

Model recalibrations were performed in 2021 at two points, in April and October 2021. The period between April and October saw the pinnacle of the economic effects of the pandemic. This was the period that had the most severe lockdowns, curfew measures and border restrictions, affecting the ease of doing business. Letshego Ghana put in a number of measures to mitigate the impact of these conditions which included repayment holidays and loan restructures.




Loss given default (LGD)

The absolute value shift in LGDs between April and October 2021 was 8.4%. This gave an indication of the sensitivity of our LGDs under economic duress. We were therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

Probability of default (PD)

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

4.4 Macroeconomic analysis

Country				
	Inflation	GDP	CPI	UER
Letshego Ghana				

Country Macro-analysis : 2020 – 2021

4. Financial risk management (continued)

4.4 Macroeconomic analysis (continued)

Inflation

Ghana's headline Inflation rates has decreased year on year ending the year with 10.3% and consumer price index (CPI) has recorded a steady increase of 7.0% YoY

Gross domestic product (GDP)

Gross Domestic Product (GDP) has decreased year on Year ending the year on

Unemployment rate

Unemployment rates has increased to 13.6% YoY bringing pressure to the Consumer segment

Country	INFLATION	GDP	CPI	UER
Ghana				

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

Influence of economic on estimate of ECL

A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated when there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).

A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

Expected credit losses: Forward looking

Macroeconomic forward looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate in line with Fitch Solutions' revised outlook for the period ending 31 December 2021. The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio.

The total weighted impact of GHs157 thousand for Ghana based on downside scenarios:

4. Financial risk management (continued)

4.4 Macroeconomic analysis (continued)

Expected credit losses: Forward looking (continued)

Country	Base ECL	Probability Weighting	Impact GHs'000
	Ghs'000	Ghs'000	
Ghana	95,580	95,423	(157)
Total	95,580	95,423	(157)

Letshego Ghana, therefore estimates an additional ECL impact of Ghs157 thousand as at December 2021 should the Group not have any mitigation in place. Full ECL disclosures can be read in conjunction with 31 December 2020 financial statements and only where there has been significant changes disclosure were noted above.

(All amounts are in Ghana cedis unless otherwise stated)

4.5 Liquidity risk

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

4.5.1 Liquidity risk management process

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

- (i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- (ii) Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- (iii) Managing the concentration and profile of debt maturities.

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

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

4. Financial risk management (continued)

4.5 Liquidity risk (continued)

4.5.2 Funding approach

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

4.5.3 Exposure to liquidity risk

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

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

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4. Financial risk management (continued)

4.5 Liquidity risk (continued)

4.5.3 Exposure to liquidity risk (continued)

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

At 31 December 2021	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	9,429,563	29,543,604	166,890,908	538,453,163	744,317,238
Customer deposits	17,235,896	62,392,488	50,226,633	-	129,855,017
Collateral Deposit	287,688,052	-	-	-	287,688,052
Lease Liability	65,752	-	-	-	65,752
Other liabilities	<u>36,437,369</u>	-	-	-	<u>36,437,369</u>
Total financial liabilities	<u>350,856,632</u>	<u>91,936,092</u>	<u>217,117,541</u>	<u>538,453,163</u>	<u>1,198,363,428</u>
Financial assets					
Cash and cash equivalents	141,299,577	-	-	-	141,299,577
Investment securities	-	-	44,379,290	254,292,749	298,672,039
Loan and advances to customers	308,775,988	67,951,161	892,019	902,012,551	1,279,631,719
Other assets (excluding prepayments)	<u>21,646,977</u>	-	-	-	<u>21,646,977</u>
	-	-	-	-	-
Total financial assets held for managing liquidity risk	<u>471,722,542</u>	<u>67,951,161</u>	<u>67,951,161</u>	<u>67,951,161</u>	<u>1,741,250,312</u>
Net liquidity gap	120,865,910	(23,984,931)	(171,846,232)	617,852,137	542,886,884

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4. Financial risk management (continued)

4.5 Liquidity risk (continued)

4.5.3 Exposure to liquidity risk (continued)

At 31 December 2020	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Total
Financial liabilities					
Borrowings	3,941,288	3,858,986	62,540,350	386,830,084	457,170,708
Customer deposits	4,341,992	4,205,965	66,236,318	-	29,784,275
Collateral Deposit	141,890,090	-	-	-	141,890,090
Lease Liability	5,754	-	-	-	5,754
Other liabilities	<u>28,867,526</u>	-	-	-	<u>28,867,526</u>
Total financial liabilities	179,046,650	8,064,951	83,776,668	386,830,084	657,718,353
Financial assets					
Cash and cash equivalents	69,092,279	-	-	-	69,092,279
Investment securities	-	-	1,190,000	50,896,900	52,086,900
Loan and advances to customers	148,295,153	16,857,781	11,084,103	545,973,332	722,210,369
Other assets (excluding prepayments)	195,264	-	-	-	195,264
Total financial assets held for managing liquidity risk	<u>217,582,696</u>	<u>16,857,781</u>	<u>12,274,103</u>	<u>596,870,232</u>	<u>843,584,812</u>
Net liquidity gap	38,536,046	8,792,830	(71,052,565)	210,040,148	185,886,460

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.5 Liquidity risk (continued)

4.5.3 Exposure to liquidity risk (continued)

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

4.6 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, 2021, if the currency had weakened/strengthened by 10% (2020: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and assets would have been GH¢2,248 (GHS 2,234) 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.

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4. Financial risk management (continued)

4.6 Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2021	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and bank balance	141,299,577					141,299,577
Investment securities			44,379,290	210,246,175		254,625,465
Loans and advances to customers	308,775,988	67,951,161	892,019	565,363,992		942,983,160
Other assets (excluding prepayment)	-	-	-	-	21,646,977	21,646,977
Total financial assets	450,075,565	67,951,161	45,271,309	775,610,167	21,646,977	1,360,555,179
Financial liabilities						
Borrowings	148,295,153	16,857,781	11,084,103	600,570,665	-	776,807,702
Customer deposits	17,235,896	62,392,488	50,226,633			129,855,017
Other liabilities (excludes statutory accrual)	-	-	-	-	36,437,369	36,437,369
Collateral Deposit	-	-	-	-	364,409,846	364,409,846
Total financial liabilities	165,531,049	79,250,269	61,310,736	600,570,665	400,847,215	1,307,509,934
Total Interest repricing gap	284,544,516	(11,299,108)	(16,039,427)	175,039,502	(379,200,238)	53,045,245

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4. Financial risk management (continued)

4.6 Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2020	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and bank balance	69,092,279	-	-	-	-	69,092,279
Investment securities	0	-	1,000,000	36,105,200	-	37,105,200
Loans and advances to customers	141,121,477	16,042,297	13,884,536	418,370,369	-	589,418,679
Other assets (excluding prepayment)	0	-	-	-	195,264	195,264
Total financial assets	210,213,756	16,042,297	14,884,536	454,475,569	195,264	695,811,422
Financial liabilities						
Borrowings	-	83,330,603	37,398,711	250,438,239	-	371,167,553
Customer deposits	2,504,404	2,168,623	23,099,798	-	-	27,772,825
Collateral security deposit liabilities	-	-	-	-	141,890,090	141,890,090
Total financial liabilities	2,504,404	85,499,226	60,498,509	250,438,239	141,890,090	540,830,468
Total interest repricing gap	207,709,351	(69,456,929)	(45,613,973)	204,037,330	(141,694,826)	154,980,954

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.6 Market risk (continued)

Interest rate sensitivity analysis

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

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

	Total interest repricing gap	Possible interest rate movements		
		+100bps	+200bps	+300bps
Up to 1 month	284,544,516	284,545	569,089	853,634
1-3 months	(11,299,108)	(11,299)	(22,598)	(33,897)
3-12 months	(16,039,427)	(16,039)	(32,079)	(48,118)
Over 1 year	<u>175,039,502</u>	<u>175,040</u>	<u>350,079</u>	<u>525,119</u>
Total	432,245,483	432,245	864,491	1,296,736
Net interest income		91,213,596	91,213,596	91,213,596
Impact on net interest income (2021)		0.47%	0.95%	1.42%
Impact on net interest income (2020)		0.32%	0.63%	0.95%

4.7 Capital management

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

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

4.7.1 Regulatory capital

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

(All amounts are in Ghana cedis unless otherwise stated)

4. Financial risk management (continued)

4.7 Capital management (continued)

4.7.1 Regulatory capital (continued)

- (i) Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax profit, income surplus and general statutory reserves.
- (ii) Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

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

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

Ordinary share capital	30,546,314	30,546,314
Retained Earning	37,587,175	22,007,352
Statutory reserves	51,321,485	35,741,671
Total disclosed reserves	119,454,974	88,295,337
Less: other regulatory adjustments		
Intangible assets	(6,395,300)	(712,636)
Total tier 1 capital	113,059,674	87,582,701
Tier 2 capital		
Share based payment reserve	-	743,113
Subordinated Debt	-	82,451,876
Total tier 2 capital	-	83,194,989
Total regulatory capital	113,059,674	170,777,690
Risk-weighted assets	1,050,808,268	477,436,976
Capital adequacy ratio	10.76%	35.77%
Minimum requirement	10.00%	10.00%

(All amounts are in Ghana cedis unless otherwise stated)

4.8 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 2021

	Amortised cost	Other liabilities amortised cost	Total	Fair value
Cash and bank balance	141,299,577	-	141,299,577	141,299,577
Investment securities	257,803,447	-	257,803,447	260,381,481
Other assets (excluding prepayments)	28,042,277	-	28,042,277	28,042,277
Loans and advances to customers	<u>891,586,434</u>	-	<u>891,586,434</u>	<u>900,502,298</u>
Total financial assets	1,318,731,735	-	1,318,731,735	1,330,225,634
Borrowings	-	654,831,525	654,831,525	661,379,840
Customer deposits	-	129,855,016	129,855,016	131,153,566
Collateral deposits	-	364,409,846	364,409,846	364,409,846
Other liabilities-	-	36,437,369	36,437,369	36,437,369
Lease liabilities	-	<u>65,752</u>	<u>65,752</u>	<u>66,410</u>
Total financial liabilities		<u>1,185,599,508</u>	<u>1,185,599,508</u>	<u>1,193,447,031</u>

At 31 December 2020

	Amortised cost	Other liabilities amortised cost	Total	Fair value
Cash and bank balance	69,105,279	-	69,105,279	69,105,279
Investment securities	37,105,200	-	37,105,200	37,105,200
Other assets (excluding prepayments)	195,264	-	195,264	195,264
Loans and advances to customers	<u>552,484,130</u>	-	<u>552,484,130</u>	<u>559,113,939</u>
Total financial assets	658,889,872	-	658,876,873	655,519,682
Borrowings	-	370,638,674	370,638,674	376,198,254
Customer deposits	-	27,772,825	27,772,825	28,050,554
Collateral deposits	-	141,890,090	141,890,090	141,890,090
Other liabilities- less mgt fees	-	16,895,013	16,895,013	16,895,013
Lease liabilities	-	<u>5,754</u>	<u>5,754</u>	<u>5,754</u>
Total financial liabilities		557,202,364	557,202,364	563,039,664

(All amounts are in Ghana cedis unless otherwise stated)

4.8 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 2021, the Company classified its financial assets as amortised cost. These are measured at amortised cost.

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5. Cash and bank balance

	2021	2020
Cash in hand	969	-
Bank balance	<u>141,298,608</u>	<u>69,105,279</u>
Cash and bank balances	141,299,577	69,105,279

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

	2021	2020
Cash in hand	969	-
Bank balance	<u>141,298,608</u>	<u>69,105,279</u>
Cash and bank balances	141,299,577	69,105,279

6. Investment securities

Government bonds	2021	2020
Opening balance	37,105,200	-
Addition during the year	220,944,046	36,234,329
Interest accrued	7,913,303	870,871
Interest payment received	(6,159,102)	-
Principal payment received	<u>(2,000,000)</u>	-
	257,803,447	37,105,200
2-5-year fixed rate notes	253,126,081	14,000,000
Above 5 years fixed rate note	<u>4,677,366</u>	<u>23,105,200</u>
	257,803,447	37,105,200

Government bonds are classified as financial assets at amortized cost as the business model is to hold the financial assets to collect contractual cash flows representing solely payments of principal and interest. The average interest rate for treasury bonds as at 31 December 2021 was 19.23%

An analysis of changes in the ECL allowances in relation to Debt instruments measured at amortised cost is, as follows: Instruments under this category were issued by the central bank and government. Expected credit loss for these instruments were assessed to be insignificant.

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7. Loans and advances to customers

	2021	2020
Neither past due nor credit impaired	741,990,413	521,175,961
Past due but not credit impaired	87,311,118	17,900,258
Credit impaired	<u>62,284,903</u>	<u>43,342,459</u>
Gross loans and advances to customers	891,586,434	582,418,678
Less Expected Credit Loss	<u>(18,858,185)</u>	<u>(29,934,548)</u>
	<u>872,728,249</u>	<u>552,484,130</u>

8. Other assets

	2021	2020
Prepayments	6,395,300	3,407,327
Trade receivable	<u>21,646,977</u>	<u>195,262</u>
	<u>28,042,277</u>	<u>3,602,589</u>

Prepayments consist of various insurance payment in advance. All other assets are current.

LETSHEGO GHANA SAVINGS AND LOANS PLC
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(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment

Year ended 31-Dec-21	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Capital work in progress	Total
Cost						
At 1 January 2021	2,813,785	1,893,100	2,432,599	2,637,017	141,497	9,917,998
Additions	145,251	435,690	129,308	729,286	124,509	1,564,044
Disposals	<u>(129,409)</u>	-	-	-	-	<u>(129,409)</u>
At 31 December 2021	2,829,627	2,328,790	2,561,907	3,366,303	266,006	11,352,633
Accumulated depreciation						
At 1 January 2021	1,843,285	1,219,163	1,618,141	2,253,803	-	6,934,392
Charge for the year	476,993	407,042	296,145	263,072	-	1,443,252
Disposals	<u>-129,409</u>	-	-	-	-	<u>(129,409)</u>
At 31 December 2021	2,190,869	1,626,205	1,914,286	2,516,875	-	8,248,235
Net book amount	638,758	702,585	647,621	849,428	266,006	3,104,398

LETSHEGO GHANA SAVINGS AND LOANS PLC
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9. Property and equipment (continued)

Year ended 31-Dec-20	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Capital work in progress	Total
Cost						
At 1 January 2020	2,638,294	1,176,934	1,972,518	2,418,275	746,578	8,952,599
Additions	5,200	716,166	130,000	218,742	-	1,070,108
Transfers	275,000	-	330,081	-	(605,081)	-
Disposals	(104,709)	-	-	-	-	(104,709)
At 31 December 2020	2,813,785	1,893,100	2,432,599	2,637,017	141,497	9,917,998
Accumulated depreciation						
At 1 January 2020	1,476,464	994,223	1,219,432	2,019,703	-	5,709,822
Charge for the year	471,530	224,940	398,709	234,100	-	1,329,279
Disposals	(104,709)	-	-	-	-	(104,709)
At 31 December 2020	1,843,285	1,219,163	1,618,141	2,253,803	-	6,934,392
Net book amount	970,500	673,937	814,458	383,214	141,497	2,983,606

(All amounts are in Ghana cedis unless otherwise stated)

9. Property and equipment (continued)
Disposal of property and equipment

	2021	2020
Cost	129,409	104,709
Accumulated depreciation	(129,409)	(104,709)
Proceeds from disposals	58,900	167,700
Gain on disposals	58,900	167,700

10. Right of use assets

Year ended 31 December

	2021	2020
Cost	6,963,681	4,884,432
At 1 January		
Addition for the year	4,561,663	2,079,249
At 31 December	11,525,344	6,963,681
Accumulated depreciation	5,662,951	2,709,114
At 1 January		
Charge for the year	2,432,768	2,953,837
At 31 December	8,095,719	5,662,951
Net book amount	3,429,625	1,300,730

11. Intangible assets

Year ended 31 December 21

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

	2021	2020
Cost	4,503,102	4,503,102
At 1 January		
Additions	540,436	-
At 31 December	5,043,538	4,503,102
Accumulated amortization	2,981,789	1,891,146
At 1 January		
Charge for the year	1,008,766	1,090,643
At 31 December	3,990,555	2,981,789
Net book amount	1,052,983	1,521,313

(All amounts are in Ghana cedis unless otherwise stated)

12. Customer deposits

	2021	2020
Term deposits	127,903,770	23,037,520
Retail deposits	1,951,246	4,735,305
	<u>129,855,016</u>	<u>27,772,825</u>

The company was giving competitive rate that attracted institutional investors to make term deposit with the company.

13. Other liabilities

	2021	2020
Payroll accrual	485,996	-
Withholding tax	339,681	864,630
Management fees**	-	12,837,150
Staff Bonus	3,282,054	-
Audit Fees	350,000	-
Other accrued expenses ***	32,319,319	15,943,560
Deferred bonus	-	86,815
	<u>36,777,050</u>	<u>29,732,155</u>

** Management fees of GHS 13m was not charged in current year as the company is yet to obtain regulatory approval for the management and technical agreement from GIPC and Bank of Ghana.

*** Other accrued expenses comprise Director's fee, supplier payments and others related cost.

14. Lease liabilities

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

	2021	2020
As at 1 January	5,754	1,693,878
Addition	103,198	184,438
Accretion of interest	358,410	10,146
Interest payment	(358,410)	(10,146)
Principal payment	(43,200)	(1,862,416)
At 31 December	<u>65,752</u>	<u>5,754</u>

(All amounts are in Ghana cedis unless otherwise stated)

15. Collateral deposits

	2021	2020
Funding for mobile loans	364,409,846	141,890,098
Collateral deposits represent amounts earmarked for financing the mobile loans product. The Company may set off losses incurred from the product against the collateral deposits. These is not an interest-bearing transaction deposit.		

16. Income taxes

16a. Income tax expense recognised in profit or loss

	2021	2020
Current income tax	16,532,544	14,857,891
National fiscal stabilisation levy	2,761,739	2,359,202
Deferred income tax credit	4,780,845	(2,646,919)
	<u>24,075,128</u>	<u>14,570,174</u>

16b. Effective tax reconciliation

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

Profit before tax	55,234,774	47,184,044
Tax using the corporate tax rate of 25%	13,808,694	11,796,011
Tax effect of:		
Non-deductible expenses	52,697,911	4,755,076
Deductible expenses	(45,193,216)	(4,340,116)
National fiscal stabilisation levy	2,761,739	2,359,202
Tax charge per income statement	<u>24,075,128</u>	<u>14,570,173</u>
	43.6%	30.9%

16c. Current income tax

	At 1 January	Charge to profit or loss	Payments in the year	At 31 December
Year of assessment				
Up to 2019	14,173,291	-	-	14,173,291
2020	8,555,362	-	-	8,555,362
2021	-	16,532,544	(28,775,617)	(12,243,073)
	22,728,653	16,532,544	(28,775,617)	10,485,580
National Fiscal Stabilization Levy	3,031,390	2,761,739	(3,031,390)	2,761,739
Total Tax 2021	25,760,043	19,294,283	(31,807,007)	13,247,319

(All amounts are in Ghana cedis unless otherwise stated)

16. Income taxes (continued)

At 31 December	Payments in the year	Charge to profit or loss	At 1 January	Year of assessment
14,173,291	-	-	14,173,291	Up to 2019
8,555,362	(6,302,549)	14,857,891	14,173,291	2020
22,728,653	(6,302,549)	14,857,891	14,173,291	
3,031,390	-	2,359,202	672,188	National Fiscal Stabilization Levy
25,760,043	(6,302,549)	17,217,093	14,845,479	Total Tax 2020

16d. Deferred income tax

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

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

2020	2021	
14,088,232	16,735,151	At 1 January
2,646,919	(4,780,845)	Credited to profit or loss
16,735,151	11,954,306	At 31 December

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

At 31-Dec-21	At (Charge)/ Credit to profit or loss	1-Jan-21	Deferred tax assets
569,808	4,658	565,150	Property and equipment
11,384,498	(4,785,503)	16,170,001	Allowance for loan losses
-	-	-	Other timing differences
11,954,306	(4,780,845)	16,735,151	Balance 31 December

(All amounts are in Ghana cedis unless otherwise stated)

16. Income taxes (continued)

Deferred tax assets

At 31-Dec-20	(Charge)/ Credit to profit or loss	At 1-Jan-20	Deferred tax assets
565,150	485,970	79,180	Property and equipment
16,170,001	2,301,773	13,868,228	Allowance for loan losses
-	(140,824)	140,824	Other timing differences
16,735,151	2,646,919	14,088,232	Balance 31 December

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

2021	2020	Deferred tax asset to be recovered within 12 months	Deferred tax asset to be recovered after more than 12 months
403,700	565,150	11,550,606	16,170,001
11,954,306	16,735,151		

17. Borrowings

Note Program
Letshego Holdings Limited
Term Loans
Development Funding Institutions (DFIs)

2021	2020	Current	Non-current
302,168,527	238,644,814	93,218,851	561,612,674
115,249,194	82,451,876		
105,576,286	49,541,984		
131,837,518	-		
654,831,525	370,638,674		

Year ended 2021	At 1 January	Drawdown	Interest expense	Principal Repayment	Interest Repayments	Exchange Difference
Note	238,644,814	69,360,000	47,034,917	(9,000,000)	(43,871,204)	-
Program	49,541,984	117,231,800	13,679,009	(62,003,951)	(12,872,556)	-
Term Loans	82,451,876	87,472,896	4,778,277	(41,328,798)	(20,833,921)	2,880,430
Letshego Holdings Ltd.	-	126,246,999	3,315,216	-	(1,238,574)	3,342,311
Funding Institutions (DFIs)	370,638,674	400,311,695	68,807,419	(112,332,749)	(78,816,255)	6,222,741
Development	654,831,525					

	Year ended 2020	At 1 January	Drawdown	Interest expense	Principal Repayment	Exchange Difference	31-Dec-20
Note	Program	244,477,572	-	45,281,595	(51,114,353)	-	238,644,814
Term Loans		-	62,550,000	1,883,772	(14,891,788)	-	49,541,984
Letshego Holdings Ltd.		22,571,678	72,828,832	2,836,310	(20,160,700)	4,375,736	82,451,856
Letshego		-	17,280,600	404,200	(17,684,800)	-	-
Loan from Kenya		-	152,659,432	50,405,877	(103,851,641)	4,375,736	370,638,654
Total		267,049,250	152,659,432	50,405,877	(103,851,641)	4,375,736	370,638,654

Note Programme (MTN)

A total of GHS 302,168,527 of senior unsecured bonds was outstanding under the medium term notes program listed on the Ghana Fixed Income Market (GFI-M) of the Ghana Stock Exchange. Interest is payable on the bonds bi-annually based on floating coupon rates which are referenced to the 182-day treasury rate issued by the Bank of Ghana.

The company has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

Letshego Holdings Limited Loan

The Letshego Holdings Limited loan is a facility advanced by the parent company. The average interest rates and tenure of the loans is 5% and 36 months respectively. The loan is denominated in foreign currency (USD) and the loan balance as at December 31, 2021 is GHS 115,420,760.

Term Loans

The Term loan balance as at December 31, 2021 is GHS 105,576,286. These are local currency facilities from commercial banks with tenors between 12 to 36 months at an average interest rate of 20% pa.

Development Funding Institution (DFI's)

We received funding from three Development Funding Institution amounting to GHS 131,665,952. These are facilities with tenors between 36 to 48 months with an average interest rate of 6% pa.

18.

Stated capital

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

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

There was no change in stated capital during the year.

There are no unpaid liability on shares at the reporting date. There were no shares held in treasury at year end (2020: Nil).

All amounts are in Ghana cedis unless otherwise stated)

19. Earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2021 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:

	2021	2020
Profit attributable to equity holders	31,159,646	32,613,870
Weighted average number of shares issued	9,453,968	9,453,968
Basic earnings per share	3.30	3.45
Diluted earnings per share	3.30	3.45

20. Retained earnings

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

21. Statutory reserves

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

22. Share based payment reserve

Shares granted in terms of the Long-Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the 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. The share base payment is equity settled.

As at 31 December 2021, 4,827,014 total awards were outstanding (2020: 3,424,721) at grant date share price of GHS 0.375 for 2021 awards (2020: GHS 0.355)

All amounts are in Ghana cedis unless otherwise stated)

22. Share based payment reserve

	2021	2020
Reconciliation of outstanding awards		
Outstanding at beginning of the period	743,112	1,603,800
Granted during the year	-	2,043,421
Exercised during the year	(184,465)	(122,925)
Forfeited due to not meeting performance	(150,927)	(100,575)
P&L movement	365,660	-
Forfeited due to resignations	-	-
Outstanding at the end of the year	773,380	3,424,721

The amounts outstanding at 31 December 2021 have average vesting periods of 24 months. The expense recognised during the period is disclosed in note 31.

The vesting conditions for the Company's Long-Term Incentive Plan is premised on non-market performance conditions. No specific market conditions are applied. Accordingly, the share price of Letshego Holdings Limited, the parent company (as quoted on the Botswana Stock Exchange) is used as the fair value of the share options granted. The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using the Botswana Stock Exchange closing price of the parent company's shares at the grant date.

23a. Interest income calculated using the effective interest method

	2021	2020
Loans and advances to customers	375,173,998	229,700,788
Investment Securities	7,913,303	870,871
23b. Other interest and similar income	383,087,301	230,571,659
Bank deposit	1,741,921	1,483,088

(All amounts are in Ghana cedis unless otherwise stated)

24a. Interest expense calculated using the effective interest rate method		
	2021	2020
Note Program	47,034,775	45,281,595
Related party loan	4,778,277	3,240,510
Interest expense on mobile loan	207,063,976	92,925,861
Interest expense on lease liabilities	358,410	10,146
Term loans	13,679,009	2,651,134
Development Funding Institutions (DFI's)	3,315,216	-
Interest on Overdraft	808,363	-
	<u>277,038,026</u>	<u>144,109,246</u>
24b. Interest and similar expense		
	2021	2020
Customer deposit	16,577,606	2,279,236
25. Fee income		
	2021	2020
Insurance Fees*	14,013,199	4,993,046
Insurance commissions***	6,082,970	2,352,908
	<u>20,096,169</u>	<u>7,345,954</u>
* Initiation fees has been reclassified from Fee income to interest income to enable recognition of interest income at effective interest rate.		
** Insurance fees are fees earned from service charges upfront to the customer and amortise over the tenure of the loan facility. Thus, it is earned over time.		
*** Insurance commissions are dividends received from insurance companies. This is earned at a point in time.		
26. Commission expenses		
	2021	2020
Collection commissions	18,281,557	15,872,244
* The merchant commissions has been reclassified from Commission expenses to interest income to enable recognition of interest income at effective interest rate.		

(All amounts are in Ghana cedis)

27. Other Operating Income		
2021	2020	
58,900	167,700	Fixed asset disposal gain
8,355,353	-	Interest and Penalty Provision write - back
7,068	-	Discounting Fee
<u>8,421,322</u>	<u>167,700</u>	
28. Impairment charge on loans and advances		
2021	2020	
4,465,160	(8,908,303)	Analysis by product
		Payroll
		Edusolution
		Mobile loans
(6,086,510)	(16,837,883)	Irrecoverable debts written-off
(1,438,764)	(25,538,370)	Debts recovered
25,521,804	34,418,152	
(19,120,245)	(25,692,482)	
<u>4,962,795</u>	<u>(16,812,700)</u>	
29. Personnel costs		
2021	2020	
8,597,132	7,897,515	Wages and salaries
1,533,340	1,315,786	Employer pension contributions
30,268	364,589	Share based payment
2,826,096	19,409	Staff incentives and bonus
<u>2,670,976</u>	<u>4,310,472</u>	Other staff related costs **
15,657,783	13,907,771	

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

(All amounts are in Ghana cedis)

30. Operating expenses

	2021	2020
Management fees	-	12,837,150
Depreciation and amortization	7,183,306	5,365,120
Auditors' remuneration	350,000	330,000
Net Foreign exchange loss	4,552,220	4,375,756
Directors' remuneration	231,000	231,000
Advertisement	3,029,247	1,791,546
Office Expenses	906,950	939,690
Professional Fees	2,396,671	2,237,210
Other Operating Expenses	2,876,110	1,191,412
Telephone and Internet expenses	1,448,421	1,946,730
Travel and Accommodation	354,141	226,820
Utility	666,081	432,143
Donation	101,013	97,295
Insurance	141,738	137,629
Repairs and maintenance	237,458	144,167
Fuel, Oil and Lubricant	1,119,822	744,892
	25,594,178	33,028,560

*** other expenses include Bank charges, donations, subscriptions and others.

All amounts are in Ghana cedis unless otherwise stated)

31. Cash generated from operating activities

	2021	2020
Operating activities		
Profit before tax	55,234,774	47,184,044
Depreciation of property and equipment (Note 9)	1,443,252	1,320,640
Depreciation of right of use assets (Note 10)	2,432,768	2,953,837
Amortisation of intangible assets (Note 11)	1,008,766	1,090,643
Interest earned on Treasury Bonds (Note 6)	(7,913,303)	-
Net Foreign exchange (Gain) /loss (Note 17)	6,222,741	4,375,756
(Gain) on disposal of property and equipment (Note 9)	(58,900)	(167,700)
Interest on bonds and intercompany loan (Note 17)	68,807,419	50,405,877
Interest expense on lease liabilities (Note 14)	358,410	10,146
Impairment charge on loans and advances (Note 28)	4,962,796	16,812,700
Increase in loans and advances to customers	(325,206,914)	(147,332,772)
Increase in other assets	(24,439,688)	(193,653)
Increase in customer deposits	102,082,191	21,705,902
Increase in other liabilities	15,400,249	7,218,247
Increase in mobile loan collateral funding	222,519,747	14,985,785
Increase in share-based payment reserve	30,268	364,588
Interest and Penalty Provision write - back (Note 27)	(8,355,353)	-
Cash flow from operating activities	114,529,212	20,734,040

(All amounts are in Ghana cedis unless otherwise stated)

32. Related party transactions

The related party transactions are as follows:

	2021	2020
<i>Loan from related party</i>		
Letshego Holdings Limited - Drawdown	87,472,896	72,828,832
Letshego Holdings Limited-Repayment	41,328,798	20,160,700
<i>Interest payment to related party</i>		
Letshego Holdings Limited-Interest accrued	4,778,277	2,836,310
Letshego Holdings Limited-Interest payment	20,833,921	-
Details of related party balances are as follows:		

<i>Management fees</i>		
Letshego Holdings Limited	-	12,837,150
Management fees of GHS 13m was not charged in current year as the company is yet to obtain regulatory approval for the management and technical agreement from GIPC and Bank of Ghana.		
<i>Key management personnel compensation</i>		

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.

	2021	2020
Fees for services as directors	231,000	231,000

33. Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2021 (2020: Nil).

34. Capital commitments

There were no capital commitments at 31 December 2021 (2020: Nil).

35. Events after reporting period

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements for the year ended 31 December 2021.