LETSHEGO GHANA SAVINGS AND LOANS PLC

Registration number: PL000232015

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

LETSHEGO GHANA SAVINGS AND LOANS PLC

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

INDEX

LETSHEGO GHANA SAVINGS AND LOANS PLC

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE INFORMATION

Directors	Mr. Blaise Mankwa	Independent Chairman	
	Mr. Christian Sottie	Independent Non-Executive Director	Awaiting regulatory approval
	Mr. Geoffery Kitakule	Non-Executive Director	
	Mr. Arnold Kobina Parker	Executive Director	Resigned November 2022
	Mr. Ibrahim Obosu	Executive Director	
Business Registrations Details	Incorporated in the Republic of Ghana		
	Registration number: PL000232015		
	Date of incorporation: 23 October 2014		
	Date of commencement of operations: 28th October 2014		
Company Secretary	Sirdar Ghana Limited		
	C934/3, 5th Crescent Asylum Down		
	Accra, Ghana		
Attorneys / Legal Advisors	Keystone Solicitors		
	3rd Floor, Advantage Place		
	Mayor Road, Ridge West		
	Accra, Ghana		
Registered Address	4th Floor, Cocoshe House		
	Street 1382A		
	off Agostino Neto Road		
	Airport-City, Accra Ghana		
Independent External Auditors	Ernst & Young		
	60 Rangoon Lane		
	Cantonments City		
	Accra, Ghana		
Bankers	Universal Merchant Bank Limited		
	Absa Bank Ghana		
	Standard Chartered Bank Limited		
	Fidelity Bank Ghana Limited		

LETSHEGO GHANA SAVINGS AND LOANS PLC
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

Principal activities

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

<table>
<tr><th>Payroll Loans</th><th>Mobile</th><th>MSE Solutions</th></tr>
<tr><td>Letshego Ghana provides Deduction-at-Source loans to Government and private corporate employees in Ghana.

Loan values range in value from GHS 1,000 to GHS 200,000

Repayment terms are from 3 to 84 months.</td><td>Mobile loan product (Qwikloan) is offered to customers on a short-term basis with repayment via mobile deduction.

Loan values range in value from GHS 100 to GHS 2,000. Loans are repayable in 30 days.</td><td>MSE solution are dedicated to empowering small business' and entrepreneurs with tailored financial solutions. The under listed range of offerings address the specific needs of our customers and contribute to the overall economic development.

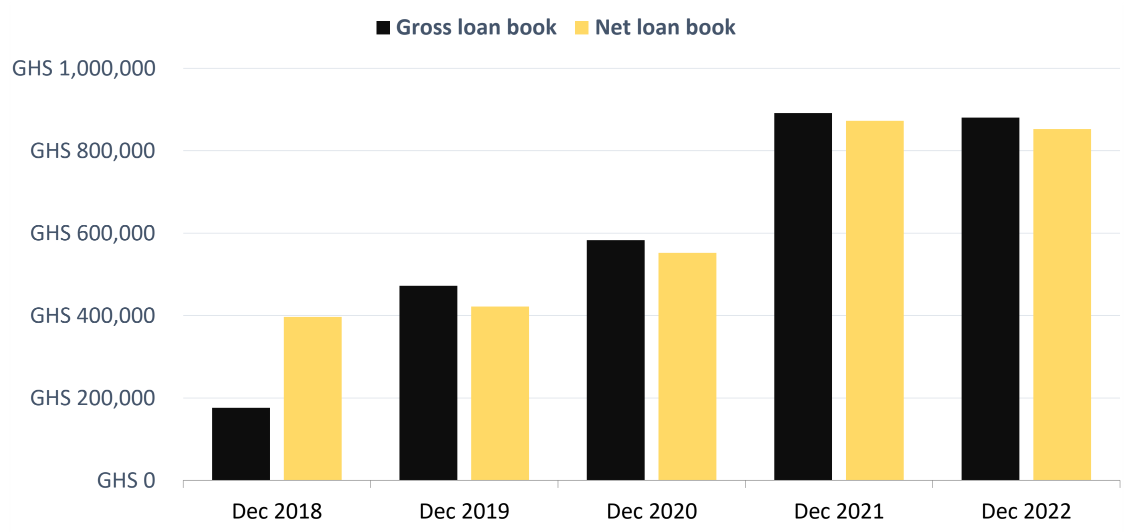
- Edusolution
- Local Purchase Order Financing
- Warehouse Receipt Financing in partnership with GCX
- Nkosuo Bosea in partnership with GIZ
- Green Assets Financing in partnership with Solar Taxi Ltd
- Poultry Value Chain Financing</td></tr>
<tr><th>Insurance</th><th colspan="2">LetsSave</th></tr>
<tr><td>To ensure the well-being of our customer and their families during unforeseen circumstances, we provide easily comprehensible and affordable credit life insurance our products.</td><td colspan="2">The letsGo savings product utilizes a simple mobile-to-mobile technology allowing our customers to use their active mobile wallets to withdraw and safe funds at any time, day or night. With this innovative approach, we have created a fully accessible savings product that puts the power of banking in the hands of our clients especially the unbanked and under served in the society.</td></tr>
<tr><td>Risks currently covered include:
• Life
• Accidental death
• Disability
• Critical illness
• Hospitalisation</td><td colspan="2">The product offers high and competitive interest rates on transactions and the platform is well integrated to enable customers pay bills with convenience and ease.</td></tr>
</table>

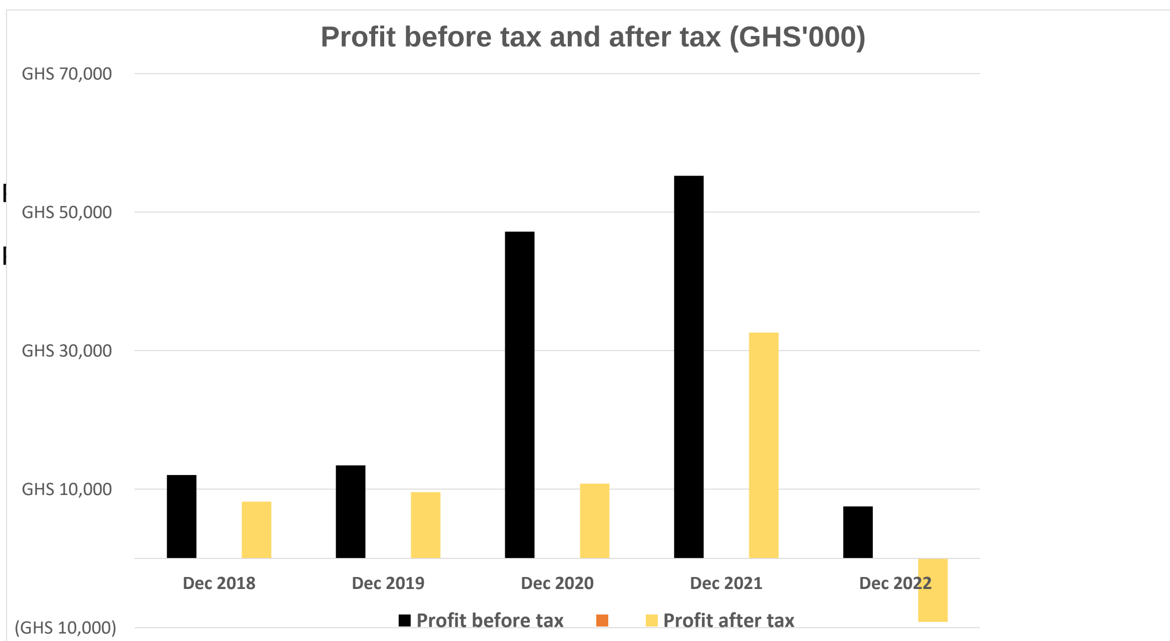
REPORT OF THE DIRECTORS (CONTINUED)

5-year company analysis

GHS'000	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022
Net Interest Income	104,750	129,013	79,697	91,214	68,446
Fee income	10,405	13,841	19,983	20,096	18,407
Profit before tax	12,035	13,444	47,184	55,235	7,521
Net loan book	397,082	421,964	552,484	872,728	852,877

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 in 2017. 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 2022 are set out below:

	31 December 2022	31 December 2021
Profit before tax	7,521,011	55,234,775
From which is deducted income tax expenses of	(16,685,863)	(24,075,128)
giving a profit for the year after income tax of	(9,164,853)	31,159,646
from which is deducted transfer to statutory reserve of	-	(15,579,823)
and income surplus account brought forward of	37,587,175	22,007,352
leaving an income surplus amount carried forward of	28,422,322	37,587,175

Dividend

The directors do not recommend the payment of dividend for the year ended 31 December 2022 (2021: nil).

REPORT OF THE DIRECTORS (CONTINUED)

Board Meetings

The Company's Board met five times in 2022. The record of attendance is provided below:

Name	Mar 2022	May 2022	July 2022	Aug 2022	Nov 2022
Mr. Blaise Mankwa	√	√	√	√	√
Mr. Christian Sottie	√	√	√	√	√
Mr. Geoffery Kitakule	√	√	√	√	√
Mr. Arnold Kobina Parker	√	√	√	√	√
Mr. Ibrahim Obosu	√	√	√	√	√

Audit and Risk Committee meetings

The Company's Board Audit and Risk Committee met four times in 2022. The record of attendance is provided below:

Name	Mar 2022	May 2022	Aug 2022	Nov 2022
Mr. Blaise Mankwa	√	√	√	√
Mr. Christian Sottie	√	√	√	√
Mr. Geoffery Kitakule	√	√	√	√
Mr. Arnold Kobina Parker	√	√	√	√
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.

DIRECTORS' REPORT AND RESPONSIBILITY STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

Capacity building of directors to discharge their duties

The Company after conducting essential integrity checks with the regulator gurantees that only suitable and qualified individuals are appointed to the Board. Letshego Ghana Savings and Loans PLC provides 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 trainings are provided to ensure directors continiously update their skills and knowledge of the business sector trends to enable them to effectively perform their role on the Board and it's sub committees.The training organized by the National Banking 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 2022, the amount payable in respect of audit fees was GH¢ 408,365.

By order of the Board

BLAISE O. MANKWA	**GEOFFERY KITAKULE**
CHAIRMAN	**DIRECTOR**
Date : 31/ 05/2023	**Date : 31/ 05/2023**

Ernst & Young Chartered Accountants
60 Rangoon Lane
Cantonments City, Accra, Ghana
P. O. Box KA 16009
Airport Accra, Ghana

Tel: +233 302 772001
+233 302 772091
ey.com

Building a better working world

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 68, which comprise the statement of financial position and the statement of profit or loss and other comprehensive income as at 31 December 2022, 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 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Companys 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. 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.

Building a better working world

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses on loans and advances to customers	
IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECL's recognized as a loss allowance or provision depends on the extent of credit deterioration since the initial recognition and recognition of impairment could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that takes into account: ▸ The probability-weighted outcome. ▸ Reasonable and supportable information that is available without undue cost. Significant judgements in the determination of the Company's Expected Credit Loss include: ▸ Use of assumptions in determining various ECL modelling parameters including probability of default and loss given default. ▸ Determination of a significant increase credit risk and ▸ Determination of associations between macroeconomic scenarios. The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on loans and advances to customers. Due to the significance of such loans, and the significant use of judgements, assessment of allowance for expected credit losses has been identified as a key audit matter. A total amount of GH¢ (19,874,568) has been recorded in the statement of comprehensive income for the year as impairment charge. The total impairment provision held as at 31 December 2022 in accordance with IFRS 9 impairment rules was GH¢ 27,489,766. Further disclosures relating to these amounts and the Company's accounting policies regarding estimating these ECLs have been disclosed in note 4, 7 and note 28 respectively of these financial statements.	We have obtained an understanding of the Company's implementation process of IFRS 9, including understanding of the changes to the Company's IT systems, processes and controls. Additionally, we obtained an understanding of the credit risk modelling methodology. We validated and tested the ECL model of the Company by assessing the data integrity and the internal controls around the model. We have also performed, among others, the following substantive audit procedures: ▸ Reviewed the accounting policies and framework methodology developed by the Company in order to assess its compliance with IFRS 9 ▸ Verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model. ▸ Reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9, concentrating ▸ On aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD). ▸ Tested the completeness of data used in modelling the risk parameter and recalculated the ECL. ▸ 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 analyzed 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.

EY
Building a better working world

Key audit matter	How the matter was addressed in the audit
Expected credit loss (ECL) assessment on Sovereign exposures (Government Bills and Bonds)	
As of 31 December 2022, Letshego Ghana held material government bills and bonds as follows: Instrument type | Note Ref | Amount (GHS) GHS bond | 6d | 35,484,664 USD bond | 6d | 132,927,997 Total | | 168,412,661 In the year under review, government initiated a Debt Exchange Programme as part of a comprehensive agenda to restore debt and fiscal sustainability. This debt restructuring programme is critical component of both the debt reduction and the IMF programme that government has sought to help restore economic stability. Letshego Ghana applied IFRS9 model in determining the ECL impacts of the debt restructure programme on its exposure to these instruments. Management exercised significant judgements regarding inputs, assumptions, and techniques for estimating ECL and staging of these instruments. Key judgements and estimates include: • Fair value determination of the new bonds' government announced as replacement for the bonds held as of 31 December 2022, • Various scenarios and probability weights assigned to these scenarios as well as estimate of expected cash shortfalls under each of these scenarios • Assessment of Significant Increase in Credit Risk (SICR); and • Determination of whether the existing instruments would have suffered significant modification based on the terms of the restructure Further details of the debt restructuring programme and the company's IFRS 9 assessment and related ECL impacts are disclosed in note 6 and 31 of these financial statements.	We obtained and reviewed the communications from government regarding the debt restructuring programme. We assessed IFRS 9 and other accounting implications of this debt restructuring programme. Together with our specialist teams, we reviewed critical inputs used in assessing ECL on these instruments including staging, fair value calculations, scenarios, and related probability weights among others: • We reviewed industry guidance issued by the Institute of Chartered Accountants Ghana (ICAG) regarding accounting implications of the debt restructure. • We evaluated the reasonableness of management assumptions andjudgments and tested the reasonableness of management's ECL calculations. • We also reviewed the reasonableness of the impairment in line with our understanding of the macro-economic environment and the Companying industry. • We assessed the adequacy of the management's disclosure regarding impairment of bond balances in line with IFRS 9 requirements.

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 2022", other than the financial statements and our auditor's reports thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 detectinga material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

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

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

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

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

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

EY
Building a better working world

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 Company pursuant to section 143 of the companies Act, 2019 (Act 992).

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

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

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

Ernst & Young

Ernst & Young (ICAG/F/2022/126) Chartered Accountants
Accra, Ghana
Date: 31.05.2023

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	5	58,283,098	141,299,577
Investment securities	6	183,165,074	257,803,447
Loans and advances to customers	7	852,877,488	872,728,249
Other assets	8	15,695,625	28,042,277
Deferred income tax asset	16d	5,972,411	11,954,306
Property and equipment	9	3,332,786	3,104,398
Right of use assets	10	4,249,998	3,429,625
Intangible assets	11	984,579	1,052,983
Total assets		**1,124,561,059**	**1,319,414,862**
LIABILITIES			
Customer deposits	12	16,708,043	129,855,016
Collateral security deposit	15	266,239,434	364,409,846
Other liabilities	13	17,361,107	36,777,050
Lease liability	14	16,949	65,752
Current income tax	16	11,770,463	13,247,319
Borrowings	17	652,174,941	654,831,525
Total liabilities		**964,270,937**	**1,199,186,508**
EQUITY			
Stated capital	18	80,546,314	30,546,314
Retained earnings		11,172,719	37,587,175
Statutory reserves		51,321,485	51,321,485
Credit risk reserves	22	17,249,604	-
Share based payment reserve	23b	-	773,380
Total shareholders' equity		**160,290,122**	**120,228,354**
Total liabilities and equity		**1,124,561,059**	**1,319,414,862**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
Interest income at effective interest rate	24	442,301,923	383,087,301
Other Interest and similar income	24b	977,894	1,741,921
Interest expense at effective interest rate	25	(374,475,113)	(293,257,216)
Interest and similar expense	25b	(358,265)	(358,410)
Net interest income		**68,446,439**	**91,213,596**
Fee income	26	18,406,757	20,096,169
Commission expense	27	(34,661,397)	(18,281,557)
Other operating income	28	50,023,650	8,421,322
Operating income		**102,215,449**	**101,449,531**
Credit loss expense on loans and advances	29	(19,874,568)	(4,962,795)
Credit loss expense on investment securities	6	(30,943,445)	-
Net operating income		**51,397,436**	**96,486,736**
Personnel Cost	30	(16,516,485)	(15,657,783)
Operating expenses	31	(27,359,940)	(25,594,178)
Total operating expenses		**(43,876,425)**	**(41,251,961)**
Profit before taxation		**7,521,011**	**55,234,775**
Taxation	16	(16,685,863)	(24,075,128)
(Loss) / Profit for the year		**(9,164,852)**	**31,159,646**
Total comprehensive (loss) / income for the year		**(9,164,852)**	**31,159,646**
(Loss) / earnings per share			
Basic and diluted (Ghana cedis)	19	(0.72)	3.30

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Stated capital	Income surplus account	Statutory Reserves	Credit Risk Reserves	Share based payment reserve	Total equity
At 1 January 2022		30,546,314	37,587,175	51,321,485	-	773,380	**120,228,354**
Total comprehensive loss		-	(9,164,852)	-	-	-	**(9,164,852)**
Transfer to statutory reserves		-	-	-	-	-	**-**
Share based payment reserve		-	-	-	-	(773,380)	**(773,380)**
New share capital issued	18	50,000,000	-	-		-	**50,000,000**
Transfer to credit risk reserves	22	-	(17,249,604)	-	17,249,604	-	**-**
As at 31 December 2022		**80 546 314**	**11 172 719**	**51 321 485**	**17 249 604**	**-**	**160 290 122**

	Note	Stated capital	Income surplus account	Statutory Reserves	Credit Risk Reserves	Share based payment reserve	Total equity
At 1 January 2021		30,546,314	22,007,352	35,741,662	-	743,122	**89,038,450**
Total comprehensive income		-	31,159,646	-	-	-	**31,159,646**
Transfer to statutory reserves		-	(15,579,823)	15,579,823	-	-	**-**
Share based payment reserve		-	-	-	-	30,258	**30,258**
As at 31 December 2021		**30 546 314**	**37 587 175**	**51 321 485**	**-**	**773 380**	**120 228 354**

LETSHEGO GHANA SAVINGS AND LOANS PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022	31 December 2021
Cash flows from operations	33	**25,697,602**	**130,807,066**
Interest paid on borrowings	17b	(103,865,086)	(78,816,255)
Interest paid on customer deposits	25	(14,292,426)	(16,577,606)
Interest received (Treasury bonds)	6	12,226,906	6,159,102
Interest paid on lease liability	14	(358,265)	(358,410)
Income tax paid	16	(12,180,824)	(31,807,007)
Net cash (used in) / from operating activities		**(92,772,093)**	**9,406,890**
Cash flows from investing activities			
Purchase of property and equipment	9	(1,873,838)	(1,564,044)
Purchase of Treasury Bonds	6	(99,549,066)	(220,944,046)
Redemption of Treasury bond	6	7,000,000	2,000,000
Proceeds from the sale of Investment securities	6	149,159,705	-
Proceeds from disposal of property and equipment	0	234,700	58,900
Purchase of intangible assets	11	(706,754)	(540,436)
Net cash from / (used in) investing activities		**54,264,747**	**(220,989,626)**
Cash flows from financing activities			
Drawdown from borrowings	17b	134,564,131	400,311,695
Repayment of principal portion of borrowings	17b	(174,974,722)	(112,332,749)
Repayment of principal portion of lease liabilities	14	(4,098,542)	(4,201,912)
Net cash (used in) / from financing activities		**(44,509,133)**	**283,777,034**
Net movement in cash and similar instruments		**(83,016,479)**	**72,194,298**
Movement in cash and similar instruments			
At the beginning of the year		141,299,577	69,105,279
Movement during the year		(83,016,479)	72,194,298
Cash and cash equivalents at 31 December	5	**58,283,098**	**141,299,577**

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 New and amended standards and interpretations

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

(i) **IFRS 17 Insurance Contracts**
Effective for annual periods beginning on or after 1 January 2023.

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.

2 Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts

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. This standard is not applicable to the company.

(ii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Effective for annual periods beginning on or after 1 January 2023.

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1st January 2023. The amendments are not expected to have a material impact on the company.

2 Summary of significant accounting policies (continued)

2.3 New and amended standards and interpretations (continued)

(iii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current
Effective for annual periods beginning on or after 1 January 2024.

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

• What is meant by a right to defer settlement
• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(iv) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
Effective for annual periods beginning on or after 1 January 2024

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

2 Summary of significant accounting policies (continued)

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (continued)

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

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

(v) **Definition of Accounting Estimates - Amendments to IAS 8**
Effective for annual periods beginning on or after 1 January 2023.

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 company.

(vi) **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**
Effective for annual periods beginning on or after 1 January 2023.

In February 2021, the IASB issued amendments to IAS 1and 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 companys's accounting policy disclosures.

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Improvements to International Financial Reporting Standards

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

The company has has not early adopted any new standards, interpretaions or ammendments that have been issued but are not yet effective in these financial statements.

Other ammendments and interpretations applied for the first time in 2022, but do not have an impact on the company's financial statements.

(i) **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.

This amendment had no impact on the financial statement of the company.

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.

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.

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)
Financial assets and liabilities (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:

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.

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.

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)

Financial assets (continued)

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)

Financial assets (continued)

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

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

Equity instruments

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

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

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

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)

Financial assets (continued)

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).

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 liabilities

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:

2.5.2 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)

Financial liabilities (continued)

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)

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 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.

2.5 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 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.

2.6.1 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, equipment and right of use asset

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

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

Computer equipment	3 years
Furniture and fittings	4 years
Office equipment	5 years
Motor vehicles	4 years

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

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

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

2.9 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.

2.1 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.

2.12 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.

2.13 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 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.

2.14 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)

2.15 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.

2.16 Stated capital

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

2.17 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.

2.18 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.

2.19 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.

2.19 Summary of significant accounting policies (continued)

2.20 Share-based payment transactions

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

2.21 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.

2.22 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 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

Summary of significant accounting policies (continued)

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 55% 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	2022	2021
Loan loss Rate (%)	PAR	1.3%	1.3%
Non-performing loans as a percentage (%) of gross advances	↑	9.9%	6.1%
Non-performing loans coverage ratio (%)	↓	84%	164%

4.1.2 Impairment

Management Overlays applied on calculation of Expected Credit Losses

In Ghana ,on a monthly basis, a significant portion of the portfolio in Ghana experiences a delay in receipt of funds from a single Employer. This results in technical arrears for affected customers, which does not correctly reflect their credit risk profile as payments would have been deducted from their accounts. An overlay adjustment is applied to manually update the loan listing to correct these technical arrears. After this adjustment for affected accounts, the Expected Credit Loss calculations are then computed.

Mobile loans Expected Credit Losses

A third party previously undertook the ECL model development and implementation of this portfolio. Since Letshego did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, Letshego was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

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 Financial risk management (continued)

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.

4.1.5 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 are 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.

4.1.6 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 subsidiarie 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 no 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 (SICR)

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

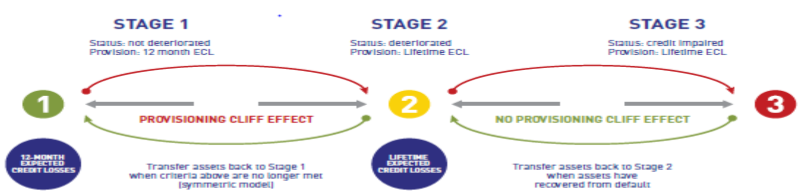
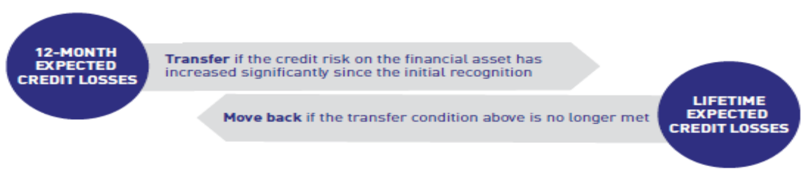


Diagram 2



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

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

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

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

4 Financial risk management (continued)

4.2 Impairment calculation (continued)

Definition of default

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
- 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, Botswana 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.

4 Financial risk management (continued)

4.2 Impairment calculation (continued)

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 current state.

Loans and advances to customers

31 December 2022	Gross advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net advances
Mobile	303,020,973	(1,106,686)	-	(2,516,551)	299,397,736
Payroll	572,801,407	(4,789,702)	(6,013,178)	(12,528,814)	549,469,713
Edusolution	4,544,874	(396,910)	(74,195)	(63,730)	4,010,039
31 December 2022	**880,367,254**	**(6,293,298)**	**(6,087,373)**	**(15,109,095)**	**852,877,488**

31 December 2021	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)	369,525,461
Payroll	513,399,107	(353,325)	(57,329)	(12,178,437)	500,810,016
Edusolution	2,575,357	(92,907)	(78,891)	(10,787)	2,392,772
31 December 2021	**891,586,434**	**(2,606,694)**	**(1,399,632)**	**(14,851,859)**	**872,728,249**

4.3 Maximum exposure to Credit Risk

Concentration of credit risk

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

	31 December 2022	31 December 2021
Concentration by product:		
Payroll loans	572,801,407	513,399,107
Edusolution	4,544,874	2,575,357
Mobile loans	303,020,973	375,611,970
Gross loans and advances to customers	**880,367,254**	**891,586,434**
Expected credit loss	(27,489,766)	(18,858,185)
Carrying amount	**852,877,488**	**872,728,249**
Concentration by customer segment:		
Formal	577,346,281	515,974,464
Informal	303,020,973	375,611,970
Gross loans and advances to customers	**880,367,254**	**891,586,434**
Expected credit loss	(27,489,766)	(18,858,185)
Carrying amount	**852,877,488**	**872,728,249**
Loans and advances to customers		
Neither past due nor impaired	522,203,708	714,888,925
Past due but not impaired	238,911,168	118,366,054
Impaired	119,252,378	58,331,455
Gross loans and advances to customers	**880,367,254**	**891,586,434**
Expected credit loss	(27,489,766)	(18,858,185)
Carrying Amount	**852,877,488**	**872,728,249**

4 Financial risk management (continued)

4.3 Maximum exposure to Credit Risk (continued)

An analysis of changes in the loan and advances is as follows:

	Loan book				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 Jan 2022	697,798,783	135,456,196	58,331,455	891,586,434	2,606,695	1,399,632	14,851,860	18,858,187
New Asset Origionated or Purchased	433,576,167	-	-	433,576,167	59,801,089	-	-	59,801,089
Transfer from Stage 1 to Stage 2	(117,001,330)	117,001,330	-	-	(10,417,781)	10,417,781	-	-
Transfer from Stage 1 to Stage 3	(84,813,102)	-	84,813,102	-	(29,891,519)	-	29,891,519	-
Transfer from Stage 2 to Stage 3	-	(7,882,129)	7,882,129	-	-	(1,422,843)	1,422,843	-
Transfer from Stage 3 to Stage 2	-	274,755	(274,755)	-	-	14,493	(14,493)	-
Transfer from Stage 2 to Stage 1	2,121,200	(2,121,200)	-	-	876,132	(876,132)	-	-
Payments or assests derecognised	(409,478,010)	(3,817,784)	(3,862,572)	(417,158,366)	(16,681,318)	(3,445,558)	(3,405,653)	(23,532,529)
Write off	-	-	(27,636,981)	(27,636,981)	-	-	(27,636,981)	(27,636,981)
31 December 2022	**522,203,708**	**238,911,168**	**119,252,378**	**880,367,254**	**6,293,298**	**6,087,373**	**15,109,095**	**27,489,766**

ECL allowance charge for the year	8,631,581
Write off	27,636,981
Recoveries	(16,393,994)
Total ECL Income statement charge for the year	**19,874,568**

	Loan book				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 Jan 2021	634,432,739	38,628,792	53,901,516	726,963,047	7,943,173	10,758,948	11,232,425	29,934,546
New Asset Origionated or Purchased	313,479,806	-	-	313,479,806	47,364,435	-	-	47,364,435
Transfer from Stage 1 to Stage 2	(153,569,362)	153,569,362	-	-	(4,816,303)	4,816,303	-	-
Transfer from Stage 1 to Stage 3	(26,484,055)	-	26,484,055	-	(23,216,390)	-	23,216,390	-
Transfer from Stage 2 to Stage 3	-	(15,208,882)	15,208,882	-	-	(7,721,538)	7,721,538	-
Transfer from Stage 3 to Stage 2	-	1,538,970	(1,538,970)	-	-	334,950	(334,950)	-
Transfer from Stage 2 to Stage 1	8,545,071	(8,545,071)	-	-	400,972	(400,972)	-	-
Payments or assests derecognised	(61,515,274)	(51,617,117)	(10,202,224)	(123,334,615)	(25,069,193)	(6,388,059)	(1,461,740)	(32,918,992)
Writeoffs	-	-	(25,521,804)	(25,521,804)	-	-	(25,521,804)	(25,521,804)
31 December 2021	**714,888,925**	**118,366,054**	**58,331,455**	**891,586,434**	**2,606,694**	**1,399,632**	**14,851,859**	**18,858,185**

ECL allowance charge for the year	(1,438,764)
Write off	25,521,804
Recoveries	(19,120,245)
Total ECL Income statement charge for the year	**4,962,795**

LETSHEGO GHANA SAVINGS AND LOANS PLC
ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Financial risk management

4.3 Maximum exposure to Credit Risk (continued)

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

	Bank Balances		Loans & advances to customers		Investment securities	
At amortised cost	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Stage 1	58,283,098	141,299,577	290,590,638	697,798,783	-	257,803,447
Stage 2	-	-	519,921,350	135,456,196	-	-
Stage 3	-	-	69,855,266	58,331,455	214,108,519	-
Total gross amount	**58,283,098**	**141,299,577**	**880,367,254**	**891,586,434**	**214,108,519**	**257,803,447**
ECL						
Stage 1	-	-	(6,293,298)	(2,606,694)	-	-
Stage 2	-	-	(6,087,373)	(1,399,632)	-	-
Stage 3	-	-	(15,109,095)	(14,851,859)	(30,943,445)	-
Total ECL	**-**	**-**	**(27,489,766)**	**(18,858,185)**	**(30,943,445)**	**-**
Net carrying amount	**58,283,098**	**141,299,577**	**852,877,488**	**872,728,249**	**183,165,074**	**257,803,447**

Expected credit losses: Stress Testing and Sensitivity Analysis

AManagement conducted a portfolio-driven stress test by stressing risk parameters and assessing the change(s) in each respective portfolio. For this purpose, the PDs and LGDs were shocked as follows:
• PD Stressing: the standard deviation of the Point-in-Time (PIT) PD distribution for each portfolio and stage was calculated. After this, a quarter of this deviation was added to the respective account level final PDs in each portfolio and stage to obtain plausibly stressed PDs.
• LGD Stressing: out of the 5-year historical crude LGDs per portfolio, the highest crude LGD was identified and applied as a plausibly stressed LGD. This would cover recent history where very challenging economic conditions were experienced.

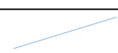
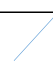
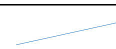
Loss given default (LGD)

The absolute value shift in LGDs between April and October 2022 was 20% positive movement . 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 based on increase in recovery experience in 2022 .

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 Marcoeconomic analysis

Country	Inflation	GDP	CPI	UER
Letshego Ghana				

4 Financial risk management

4.3 Maximum exposure to Credit Risk (continued)

Country Macro-analysis : 2021 - 2022

Inflation

In 2022, inflation in Ghana remained relatively high, driven by factors such as the depreciation of the local currency and rising food prices. It is estimated to have risen from 10% in 2021 to 53.2% in 2022. To mitigate these issues, the Central Bank of Ghana and the government implemented policies aimed at reducing inflation, such as tightening monetary policy and controlling fiscal deficits. Forecasts suggest a gradual improvement in inflation rates throughout 2023, as these policies take effect and the economy continues to recover. It is forecast to decrease slightly to 27.1% in 2023.

Gross domestic product (GDP)

GDP growth is estimated to have slowed down from 5.4% in 2021 to 3.3% in 2022. It is forecast to decrease further to 2.9% in 2023. This is despite healthy export growth fueled by the resurgence of global demand for its key exports of oil, gold and cocoa. Economic activity is expected to slow down as domestic demand is expected to weaken on the back of price pressures and tighter fiscal and monetary conditions.

4.4 Marcoeconomic analysis (continued)

Unemployment rate

The unemployment rate in Ghana remained a challenge in 2022, with a large proportion of the population engaged in the informal sector. It is estimated to have risen from 4.7% in 2021 to 4.75% in 2022. In the first quarter of 2023, the unemployment rate remained relatively stable. To address this issue, the government has implemented policies to promote job creation, such as investing in infrastructure and supporting small and medium-sized enterprises (SMEs). The unemployment rate is forecast to increase slightly to 4.81% in 2023.

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 and effects from the Ukraine Russia War. 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 GHS 9.4 million for Ghana based on downside scenarios:

Country	Base ECL	Probability Weighting	Impact
Ghana	27,489,766	36,920,500	9,430,734
Total	27,489,766	36,920,500	9,430,734

4 Financial risk management

Below is a summary of the expected credit losses as at 31 December 2022

Operating Segments	IFRS 9 ECL Provisions at 31 December 2022				IFRS 9 ECL Provisions at 31 December 2021			
GHS	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 2022	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 2021
Financial assets	6,293,298	6,087,373	15,109,095	27,489,766	2,606,694	1,399,632	14,851,859	18,858,185
Total	**6,293,298**	**6,087,373**	**15,109,095**	**27,489,766**	**2,606,694**	**1,399,632**	**14,851,859**	**18,858,185**

	At 31 December 2022 (IFRS 9)	**At 31 December 2021 (IFRS 9)**
Gross advances to customers	**880,367,254**	**891,586,434**
Of which stage 1 and 2	**761,114,876**	**833,254,979**
Of which stage 3	**119,252,378**	**58,331,455**
Expected credit loss provisions	**(27,489,766)**	**(18,858,185)**
Of which stage 1 and 2	**(12,380,671)**	**(4,006,326)**
Of which stage 3	**(15,109,095)**	**(14,851,859)**
Net advances to customers	**852,877,488**	**872,728,249**
Of which stage 1 and 2	**748,734,205**	**830,501,032**
Of which stage 3	**104,143,283**	**42,227,217**
Impairment (ECL) Coverage Ratio	**3%**	**2%**
Stage 3 coverage ratio	**13%**	**25%**

As a predominantly Government Deduction at Source (DAS) business, Letshego Ghana was able to remain resilient to the worst effects of external economic effects despite delays in government remittances by two to three months . 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.This was further strengthened by a 30% increase in salaries to cushion employees from raising cost of living.

4 Financial risk management (continued)

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 separate :team in the Treasury department, includes

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

4.5.2 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 no .derivative .financial assets and liabilities held by the Company

4 Financial risk management (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:

31 December 2022	**Up to 1 month**	**1 - 3 months**	**3 -12 months**	**Over 1 year**	**Total**
Financial liabilities					
Borrowings	4,868,515	44,382,436	198,471,642	424,622,707	672,345,300
Customer deposits	3,340,939	13,674,792	1,687,303	-	18,703,034
Collateral deposit	-	-	266,239,434	-	266,239,434
Lease liability	-	-	20,678	-	20,678
Other liabilities	-	-	17,255,155	-	17,255,155
Total financial liabilities	8,209,454	58,057,228	483,674,212	424,622,707	974,563,601
Financial assets					
Cash and cash equivalents	58,283,098	-	-	-	58,283,098
Investment securities	-	-	-	183,165,074	183,165,074
Loan and advances to customers	314,145,137	525,200,647	22,899,282	24,253,709	886,498,775
Other assets	-	11,525,980			11,525,980
Total financial assets held for managing liquidity risk	372,428,235	536,726,627	22,899,282	207,418,783	1,139,472,927
Net liquidity gap	**364,218,781**	**478,669,399**	**(460,774,930)**	**(217,203,924)**	**164,909,326**

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	-	-	364,409,846	-	364,409,846
Lease liability	-	-	76,272	-	76,272
Other liabilities	-	-	36,437,369	-	36,437,369
Total financial liabilities	26,665,459	91,936,092	618,041,028	538,453,163	1,275,095,742
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)	21,646,977				21,646,977
Total financial assets held for managing liquidity risk	471,722,542	67,951,161	45,271,309	1,156,305,300	1,741,250,312
Net liquidity gap	**445,057,083**	**(23,984,931)**	**(572,769,719)**	**617,852,137**	**466,154,570**

4 Financial risk management (continued)

4.5.4 Maturity analysis of assets and liabilities

The table below shows the analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and / or be repaid within 12 months, regardless of the actul contractual maturities of the product. With regards to the loans and advances to customers, the company uses same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon and amortisation.

	31 December 2022			31 December 2021		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	58,283,098	-	58,283,098	141,299,577	-	141,299,577
Investment securities	14,752,410	168,412,664	183,165,074	60,135,232	197,668,215	257,803,447
Loans and advances to customers	213,707,712	639,169,776	852,877,488	166,555,896	706,172,353	872,728,249
Other assets	11,525,980	4,169,645	15,695,625	7,449,611.00	20,592,666	28,042,277
Deferred income tax asset	1,310,508	7,189,227	8,499,735	403,700	11,550,606	11,954,306
Property and equipment	666,557	2,666,229	3,332,786	620,880	2,483,518	3,104,398
Right of use assets	850,000	3,399,998	4,249,998	685,925	2,743,700	3,429,625
Intangible assets	-	984,579	984,579	-	1,052,983	1,052,983
Total assets	**301,096,265**	**825,992,118**	**1,127,088,383**	**377,150,821**	**942,264,041**	**1,319,414,862**
Liabilities						
Customer deposits	16,708,043	-	16,708,043	129,855,016	-	129,855,016
Collateral security deposit	-	266,239,434	266,239,434	-	364,409,846	364,409,846
Other liabilities	17,361,107	-	17,361,107	-	36,777,050	36,777,050
Lease liability	16,949	-	16,949	-	65,752	65,752
Current income tax	11,770,463	-	11,770,463	-	13,247,319	13,247,319
Borrowings	240,290,915	411,884,026	652,174,941	93,218,851	561,612,674	654,831,525
Total liabilities	**286,147,477**	**678,123,460**	**964,270,937**	**223,073,867**	**976,112,641**	**1,199,186,508**
Net as at December	**14,948,788**	**147,868,658**	**162,817,446**	**154,076,954**	**(33,848,600)**	**120,228,354**

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, 2022, if the currency had weakened/strengthened by 10% (2022: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and assets would have been GH¢191,442,296 (GHS 19,142,229) higher/lower, mainly as a result of US dollar denominated bank balances.

(ii) *Interest risk rate*

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Financial risk management (continued)

4.6 Market risk (continued)

(ii) *Interest risk rate (continued)*

31 December 2022	Up to 1 month	1 - 3 months	3 -12 months	Over 1 year	Non interest bearing	Total
Financial assets						
Cash and bank balance	58,283,098	-	-	-	-	58,283,098
Investment securities	42,972,877	-	-	140,192,197	-	183,165,074
Loans and advances to customers	361,266,908	603,980,744	26,334,174	27,891,765		1,019,473,591
Other assets (excluding prepayment)	-	-	-	-	11,525,980	11,525,980
Total financial assets	**462,522,883**	**603,980,744**	**26,334,174**	**168,083,962**	**11,525,980**	**1,272,447,743**
Financial liabilities						
Borrowings	652,174,941	-	-	-	-	652,174,941
Customer deposits	3,340,939	13,674,792	1,687,302	-	-	18,703,033
Other liabilities	-	-	-	-	17,361,107	17,361,107
Collateral deposit	-	-	-	-	266,239,434	266,239,434
Total financial liabilities	**655,515,880**	**13,674,792**	**1,687,302**	**-**	**283,600,541**	**954,478,515**
Total interest repricing gap	**(192,992,997)**	**590,305,952**	**24,646,872**	**168,083,962**	**(272,074,561)**	**317,969,228**

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	141,298,608	-	-	-	-	141,298,608
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					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**

4 Financial risk management (continued)

4.7 Market risk (continued)

(iii) Interest rate sensitivity analysis

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

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

		Possible interest rate movements		
	Total interest repricing gap	**+100bps**	**+200bps**	**+300bps**
Up to 1 month	(192,993)	(192,993)	(385,986)	(578,979)
1-3 months	590,306	590,306	1,180,612	1,770,918
3-12 months	24,647	24,647	49,294	73,941
Over 1 year	168,084	168,084	336,168	504,252
Total	**590,044**	**590,044**	**1,180,088**	**1,770,131**
Net interest income		**68,446,439**	**68,446,439**	**68,446,439**
Impact on net interest income (2022)		0.86%	1.72%	2.59%
Impact on net interest income (2021)		0.47%	0.95%	1.42%

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.

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:

(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.

4 Financial risk management (continued)

4.7 Capital management (continued)

4.7.1 Regulatory 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.

	31 December 2022	31 December 2021
Tier 1 capital		
Ordinary share capital	80,546,314	30,546,314
Retained earnings	11,172,719	37,587,175
Statutory reserves	51,321,485	51,321,485
Total disclosed reserves	**143,040,518**	**119,454,974**
Less: Other regulatory adjustments	(10,142,056)	(6,395,300)
Add: Relief on credit loss expense on investment securities	23,207,584	-
Total tier 1 capital	**156,106,046**	**113,059,674**
Tier 2 capital		
Share based payment reserve	-	-
Subordinated debt	-	-
Total tier 2 capital	-	-
Total regulatory capital	**156,106,046**	**113,059,674**
Risk-weighted assets	**972,018,161**	**1,050,808,268**
Capital adequacy ratio	**16.06%**	**10.76%**
Minimum requirement	**8.00%**	**10.00%**

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.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the 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.

31 December 2022	Note	Asset amortised cost	Liabilities amortised cost	Total	Fair value
Investment securities	6	183,165,074	-	183,165,074	183,165,074
Loans and advances to customers	7	852,877,488	-	852,877,488	881,520,420
Total financial assets		**1,036,042,562**	**-**	**1,036,042,562**	**1,064,685,494**
Borrowings	17	-	652,174,941	652,174,941	660,979,303
Customer deposits	12	-	16,708,043	16,708,043	17,376,364
Total financial liabilities		**-**	**668,882,984**	**668,882,984**	**678,355,667**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Financial risk management (continued)

4.8 Fair value of financial assets and liabilities (continued)

31 December 2021	Note	Asset amortised cost	Liabilities amortised cost	Total	Fair value
Investment securities	6	257,803,447	-	257,803,447	260,381,481
Loans and advances to customers	7	872,728,249	-	872,728,249	900,502,298
Total financial assets		**1,130,531,696**	**-**	**1,130,531,696**	**1,160,883,780**
Borrowings	17	-	654,831,525	654,831,525	661,379,840
Customer deposits	12	-	129,855,016	129,855,016	131,153,566
Total financial liabilities		**-**	**2,122,452,508**	**784,686,541**	**792,533,406**

The following assets and liabilities have their carrying amounts approximate their fair value and then make a list of them.

a. Cash and bank balance
b. Other assets
c. Collateral deposits
d. Other liabilities

The fair value hierarchy section explains the judgements and estimates made in determining the fair values of the financials instruments. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the accounting standards.

● Level 1	- Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
● Level 2	- Valuation techniques for which the lowest level input that is significant to the fair value is observable
● Level 3	- Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

The fair values of financial assets and liabilities that are not measured at fair value in the financial statements are shown below:

			Fair values		
At 31 December 2022	**Carrying values**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Investment securities	183,165,074	-	183,165,074	-	**183,165,074**
Loans and advances to customers	852,877,488	-	-	881,520,420	**881,520,420**
Financial liabilities					
Deposits from customers	16,708,043	-	-	17,376,364	**17,376,364**
Borrowings	652,174,941	-	-	660,979,303	**660,979,303**

			Fair values		
At 31 December 2021	**Carrying values**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Investment securities	257,803,447	-	260,381,481	-	**260,381,481**
Loans and advances to customers	872,728,249	-	-	900,502,298	**900,502,298**
Financial liabilities					
Deposits from customers	129,855,016	-	-	131,153,566	**131,153,566**
Borrowings	654,831,525	-	-	661,379,840	**661,379,840**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4 Financial risk management (continued)

4.8 Fair value of financial assets and liabilities (continued)

		Valuation technique	Significant unobservable inputs
Investment securities	Level 2	Valued by discounting the future cash flows using market interest rate applicable at that time. For foreign assets, the sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Based on discount rates ranging from 15.65% - 21%
Loans and advances to customers	Level 3	The fair values of loans and advances are estimated by discounted cash flow models that incorporate assumptions for credit risks.	Expected cashflows are discounted at reference rates adjusted for credit risk exposure
Borrowings and Deposits from customers	Level 3	The fair value of borrowed funds and deposits from custoer is estimated by a discounted cash flow model using market rate for similar instruments trading in the market.	Based on average yield curve rates to maturity

		31 December 2022	31 December 2021
5	**Cash and cash equivalents**		
(a)	Cash in hand	-	969
	Bank Balance	58,283,098	141,298,608
	Cash and bank balances	**58,283,098**	**141,299,577**

(b) For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Cash in hand	-	969
	Bank balance	58,283,098	141,298,608
		58,283,098	**141,299,577**
6	**Investment securities**		
	Government bonds		
	Opening balance	**257,803,447**	**37,105,200**
	Addition during the year	4,915,255	220,427,474
	Interest accrued	16,202,184	7,913,303
	Interest payment received	(12,226,906)	(6,159,102)
	Principal payment received	(7,000,000)	(2,000,000)
	Sale of investment securities	(145,134,527)	-
	Impairment on bonds	(30,943,445)	-
	Exchange gain/loss	99,549,066	516,572
		183,165,074	**257,803,447**
6b	2 - 5-year fixed rate notes	42,972,877	253,126,081
	Above 5 years fixed rate note	140,192,197	4,677,366
		183,165,074	**257,803,447**

Ghana Debt Exchange Program

On 5th December 2022, the Government of Ghana launched Ghana's Domestic Debt Exchange programme, an invitation for the voluntary exchange of approximately GHS35 billion of the domestic notes and bonds for a package of New Bonds to be issued by the Republic. The Exchange excludes Treasury Bills in totality, and notes and bonds held by individuals (natural persons).

The Ghana Debt Exchange Program resulted in direct and indirect additional impairment on bonds broken down as follows:

6c	**Impairment Charge**	31 December 2022	31 December 2021
	Opening balance	-	-
	Expected credit losses recognised during the year :		
	Local Cedi bonds	10,907,229	-
	Local Dollar bonds	20,036,216	-
	Total	**30,943,445**	-

Net carrying amount of investment securities are as follows:

6d	**31 December 2022**	**GoG Cedi bonds**	**GoG Dollar bonds**	**Fixed deposit**	**Total**
	Opening balance	65,502,868	98,719,999	93,580,580	257,803,447
	New assets originated or purchased	4,915,255	-	-	4,915,255
	Interest accrued	6,633,171	8,239,131	1,329,882	16,202,184
	Interest payment received	(8,916,098)	(2,433,053)	(877,755)	(12,226,906)
	Principal payment received	(7,000,000)	-	-	(7,000,000)
	Sale of investment securities	(21,844,488)	(8,777,756)	(114,512,283)	(145,134,527)
	Exchange gain	-	54,829,475	44,719,591	99,549,066
	Gross carrying amount	**39,290,708**	**150,577,796**	**24,240,015**	**214,108,519**
	Impairment	(10,907,229)	(20,036,216)	-	(30,943,445)
	Net Carrying Amount	**28,383,479**	**130,541,580**	**24,240,015**	**183,165,074**

2021	GoG Cedi bonds	GoG Dollar bonds	Fixed deposit	Total
Opening balance	19,500,000	17,605,200	-	37,105,200
New assets originated or purchased	45,696,526	81,542,225	93,188,723	220,427,474
Interest accrued	7,151,486	72,381	689,436	7,913,303
Interest payment received	(4,845,144)	(868,572)	(445,386)	(6,159,102)
Principal payment received	(2,000,000)	-	-	(2,000,000)
Exchange gain	-	368,765	147,807	516,572
Gross carrying amount	**65,502,868**	**98,719,999**	**93,580,580**	**257,803,447**
Impairment	-	-	-	-
Net Carrying Amount	**65,502,868**	**98,719,999**	**93,580,580**	**257,803,447**

6e An analysis of changes in the carrying amount in relation to investment securities is as follows:

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	257,803,447	-	-	**257,803,447**
New assets originated or purchased	1,890,533	-	-	**1,890,533**
Transfer from Stage 1 to Stage 2	-	-	-	**-**
Transfer from Stage 1 to Stage 3	(114,559,453)	-	114,559,453	**-**
Assets sold during the year	(145,134,527)	-	-	**(145,134,527)**
Exchange gain	-	-	99,549,066	**99,549,066**
Gross carrying amount	**-**	**-**	**214,108,519**	**214,108,519**
Reconcilliation of expected credit losses:				
Opening ECL amount as at 1 January 2022	-	-	-	-
New assets originated or purchased	-	-	-	-
ECL charge for the year	-	-	(30,943,445)	(30,943,445)
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Assets sold during the year	-	-	-	-
	-	**-**	**183,165,074**	**183,165,074**

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	37,105,200	-	-	**37,105,200**
New assets originated or purchased	220,181,675	-	-	**220,181,675**
Assets sold during the year	-	-	-	**-**
Exchange gain	516,572	-	-	**516,572**
Gross carrying amount	**257,803,447**	**-**	**-**	**257,803,447**
Reconcilliation of expected credit losses:				
Opening ECL amount as at 1 January 2021	-	-	-	-
New assets originated or purchased	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
As at Decemeber 2021	**257,803,447**	**-**	**-**	**257,803,447**

		31 December 2022	31 December 2021
7	**Gross loans and advances to customers**	**880,367,254**	**891,586,434**
	Less: Expected credit loss	(27,489,766)	(18,858,185)
		852,877,488	**872,728,249**
8	**Other assets**		
	Prepayments	4,169,645	6,395,300
	Other receivable	11,525,980	21,646,977
		15,695,625	**28,042,277**

Other receivables include insurance comission and sundry receivables. Due to the short-term nature of the other receivables, their carrying amount approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

9 Plant and equipment

Year ended 31 December 2022	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Work in progress	Total
Cost						
At 1 January 2022	2,829,627	2,328,790	2,561,907	3,366,303	266,006	11,352,633
Additions	999,800	273,122	194,166	266,750	140,000	1,873,838
Disposals	(410,908)	-	-	-	-	(410,908)
						-
At 31 December 2022	3,418,519	2,601,912	2,756,073	3,633,053	406,006	12,815,563
						-
Accumulated depreciation						-
At 1 January 2022	2,190,869	1,626,205	1,914,286	2,516,875	-	8,248,235
Charge for the year	532,668	483,308	266,084	363,390	-	1,645,450
Disposals	(410,908)	-	-	-	-	(410,908)
						-
At 31 December 2022	2,312,629	2,109,513	2,180,370	2,880,265	-	9,482,777
						-
Carrying amount	**1,105,890**	**492,399**	**575,703**	**752,788**	**406,006**	**3,332,786**

9a Year ended 31 December 2021	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	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	(129,409)	-	-	-	-	(129,409)
						-
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	(129,409)				-	(129,409)
						-
At 31 December 2021	**2,190,869**	**1,626,205**	**1,914,286**	**2,516,875**	**-**	**8,248,235**
						-
Carrying amount	**638,758**	**702,585**	**647,621**	**849,428**	**266,006**	**3,104,398**

9 Plant and equipment

LETSHEGO GHANA SAVINGS AND LOANS PLC
ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

	31 December 2022	31 December 2021
Disposal of Property and equipment		
Cost	410,908	129,409
Accumulated depreciation	(410,908)	(129,409)
	-	-
Proceeds from disposals	234,700	58,900
Gain on disposals	**234,700**	**58,900**

10 Right of use assets

	31 December 2022	31 December 2021
Cost		
At 1 January	11,525,344	6,963,681
Addition for the year	4,456,807	4,561,663
At 31 December	**15,982,151**	**11,525,344**
Accumulated depreciation		
At 1 January	8,095,719	5,662,951
Charge for the year	3,636,434	2,432,768
At 31 December	**11,732,153**	**8,095,719**
Carrying amount	**4,249,998**	**3,429,625**

11 Intangible assets

	31 December 2022	31 December 2021
Cost		
At 1 January	5,043,538	4,503,102
Additions	706,754	540,436
At 31 December	**5,750,292**	**5,043,538**
Accumulated amortisation		
At 1 January	3,990,555	2,981,789
Charge for the year	775,158	1,008,766
At 31 December	4,765,713	3,990,555
Net book amount	**984,579**	**1,052,983**

12 Customer deposits

	31 December 2022	31 December 2021
Term deposits	2,540,304	127,903,770
Retail deposits	14,167,739	1,951,246
	16,708,043	**129,855,016**

In the current year, the Company unwinded customer deposits as the market was unstable and interest rates were volatile. There was an increase in offering rates by over 2000 basis points from 2021.

		31 December 2022	31 December 2021
13	**Other liabilities**		
	Payroll accrual	993,471	485,996
	Withholding tax	52,976	339,681
	Staff bonus	1,478,481	3,282,054
	Audit fees	408,365	350,000
	Insurance premium payable	7,854,469	2,262,526
	Other accrued expenses *	6,573,345	30,056,793
		17,361,107	**36,777,050**

*Other accrued expenses comprise unpaid supplier payments, control accounts. These are short term in nature and their carrying amount approximates their fair value at the reporting date.

14	**Lease liability**		
	As at 1 January	65,752	5,754
	Addition	4,049,739	4,261,909
	Interest accrued	358,265	358,410
	Interest payment	(358,265)	(358,410)
	Principal repayment of lease	(4,098,542)	(4,201,912)
		16,949	**65,751**
15	**Collateral deposit**		
	Funding for mobile loans	**266,239,434**	**364,409,846**

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. This is not an interest-bearing transaction deposit.

		31 December 2022	31 December 2021
16	**Income taxes**		
16a	**Income tax expenses recognise in profit or loss**		
	Current income tax	10,327,917	16,532,544
	National fiscal stabilisation levy	376,051	2,761,739
	Deferred tax expense	5,981,895	4,780,845
		16,685,863	**24,075,128**

16b Effective tax reconciliations

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	**7,521,011**	**55,234,774**
Tax using the corporate tax rate of 25%	1,880,253	13,808,694
Tax effect of:		
Non-deductible expenses	88,504,137	52,697,911
Deductible expenses	(74,074,578)	(45,193,216)
National fiscal stabilization levy	376,051	2,761,739
Tax charge	**16,685,863**	**24,075,128**
	222%	44%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

16c Current income tax

	1 January 2022	Charge to profit or loss	Payments in the year	31 December 2022
Year of assessment				
Up to 2021	10,485,580	-	(4,919,085)	5,566,495
2022	-	10,327,917	(4,500,000)	5,827,917
	10,485,580	**10,327,917**	**(9,419,085)**	**11,394,412**
				-
National Fiscal Stabilization Levy	2,761,739	376,051	(2,761,739)	376,051
Total Tax 2022	**13,247,319**	**10,703,968**	**(12,180,824)**	**11,770,463**

	1 January 2021	Charge to profit or loss	Payments in the year	31 December 2021
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**

16d Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (2021: 25%).

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

	31 December 2022	31 December 2021
Balance at the beginning of the year	11,954,306	16,735,151
Current year movement	(5,981,895)	(4,780,845)
	5,972,411	**11,954,306**

16e Deferred income tax assets are attributable to the following:

	1 January 2022	(Charge) / Credit to profit or loss	31 December 2022
Property and equipment	569,808	(148,515)	421,293
Allowance for loan losses	11,384,498	(2,266,636)	9,117,862
Other timing differences arising during the year	-	(3,566,744)	(3,566,744)
Net deferred income tax assets	**11,954,306**	**(5,981,895)**	**5,972,411**

	1 January 2021	(Charge) / Credit to profit or loss	31 December 2021
Property and equipment	565,150	4,658	569,808
Allowance for loan losses	16,170,001	(4,785,503)	11,384,498
Net deferred income tax assets	**16,735,151**	**(4,780,845)**	**11,954,306**

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

		31 December 2022	31 December 2021
16f	Deferred tax asset to be recovered within 12 months	421,293	403,700
	Deferred tax asset to be recovered after more than 12 months	5,551,118	11,550,606
		5,972,411	**11,954,306**

		31 December 2022	31 December 2021
17	**Borrowings**		
	Note program	273,388,241	302,168,527
	Letshego Holdings Limited	123,227,106	115,420,760
	Term loans	117,725,315	105,576,286
	Development funding institutions (DFI's)	137,834,279	131,665,952
		652,174,941	**654,831,525**
17a	Current	78,260,993	93,218,851
	Non-current	489,131,206	561,612,674
		567,392,199	**654,831,525**

		Note Program	Term Loans	Letshego Holdings Ltd.	Development Funding Institutions (DFI's)	Total
17b	**Year ended 2022**					
	At 1 January	302,168,385	105,576,286	115,420,760	131,665,952	654,831,383
	Drawdown	-	120,000,000	14,564,131	-	134,564,131
	Interest expense	55,004,671	38,362,072	6,795,131	18,597,677	118,759,551
	Principal repayment	(28,034,500)	(111,327,832)	-	(35,612,390)	(174,974,722)
	Transfer to share capital	-	-	(50,000,000)	-	(50,000,000)
	Interest repayments	(55,750,457)	(34,885,211)	-	(13,229,418)	(103,865,086)
	Exchange Difference	-	-	36,447,084	36,412,458	72,859,542
	31st December 2022	**273,388,099**	**117,725,315**	**123,227,106**	**137,834,279**	**652,174,799**

Year ended 2021	Note Program	Term Loans	Letshego Holdings Ltd.	Development Funding Institutions	Total
At 1 January	238,644,814	49,541,984	82,451,876	-	370,638,674
Drawdown	69,360,000	117,231,800	87,472,896	126,246,999	400,311,695
Interest expense	47,034,775	13,679,009	4,778,277	3,315,216	68,807,419
Principal repayment	(9,000,000)	(62,003,951)	(41,328,798)	-	(112,332,749)
Interest repayments	(43,871,204)	(12,872,556)	(20,833,921)	(1,238,574)	(78,816,255)
Exchange difference	-	-	2,880,430	3,342,311	6,222,741
31st December 2021	**302,168,385**	**105,576,286**	**115,420,760**	**131,665,952**	**654,831,525**
					-

Note Programme (MTN)

A total of GHS 273,388,241 of senior unsecured bonds was outstanding under the medium term notes program listed on the Ghana Fixed Income Market (GFIM) of the Ghana Stock Exchange. Interest is payable on the bonds bi-annually based on floating coupon rates which are referenced to the 182-day treasury rate issued by the Bank of Ghana.

The company has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods.

Letshego Holding Limited

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, 2022 is GHS123,227,106

Term Loans

The Term loan balance as at December 31, 2021 is GHS 117,725,315. These are local currency facilities from commercial banks with tenors between 12 to 36 months at an average interest rate of 36% pa following the increase in reference rates.

Development Funding Institution (DFI's)

We received funding from three Development Funding Institution amounting to GHS 137,834,279. These are facilities with tenors between 36 to 48 months with an average interest rate of 9% pa.

18 Stated capital

The authorised shares of the Company is 100,000,000 ordinary shares of no par value, out of which 19,453,968 have been issued as follows:

	31 December 2022		31 December 2021	
	Number of shares	Proceeds	Number of shares	Proceeds
As at 1st January	9,453,968	30,546,314	9,453,968	30,546,314
Additional share capital raised during the year	10,000,000	50,000,000	-	-
	19,453,968	**80,546,314**	**9,453,968**	**30,546,314**

There was addition of Ghs 50,000,000 to the 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 (2022: Nil).

19 (Loss) / earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2022 was based on the loss 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:

	31 December 2022	31 December 2021
(Loss)/ Profit attributable to equity holders	**(9,164,852)**	**31,159,646**
Weighted average number of shares issued	12,787,301	9,453,968
Basic (loss) / earnings per share	(0.72)	3.30
Diluted (loss) / earnings per share	(0.72)	3.30

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 Credit Risk Reserve

The credit risk reserve is a non-distributable reserve required by Bank of Ghana to account for difference between impairment loss on financial assets as per IFRS and the specific and the general impairment loss on loans and advances and contingent liabilities per the Central Bank's prudential guidelines.

	31 December 2022	31 December 2021
At 1 January	-	-
Transfer from retained earnings	17,249,604	-
At 31 December	**17,249,604**	**-**

Reconciliation between Bank of Ghana impairment allowance and IFRS impairment

	31 December 2022	31 December 2021
Bank of Ghana impairment allowance for loans and advances	56,694,870	-
IFRS Impairment for loans and advances at 31 December	39,445,266	-
Credit risk reserve at 31 December	**17,249,604**	**-**

23 Share based payment reserve

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

As at 31 December 2022, no awards were outstanding (2021: 4,827,014 were outstanding at grant price of GHS 0.375).

23b Share based payment reserve

	31 December 2022		31 December 2021	
	Fair values	**Number of awards**	**Fair values**	**Number of awards**
Reconciliation of outstanding awards				
Outstanding at beginning of the period	773,380	4,827,014	743,112	3,424,721
Granted during the year	-	1,401,313	-	-
Exercised during the year	-	(419,485)	(184,465)	(339,679)
Forfeited due to not meeting performance	-	(343,215)	(150,927)	(278,920)
P&L movement	-	-	365,660	2,020,892
Forfeited due to resignations	(773,380)	(5,465,627)	-	-
Outstanding at the end of the year	**-**	**-**	**773,380**	**4,827,014**

24 Interest income at effective interest rate

	2022	2021
Loans and advances to customers	426,099,739	375,173,998
Investment securities	16,202,184	7,913,303
	442,301,923	**383,087,301**

24b Other interest and similar income

	2022	2021
Interest on bank deposits	977,894	1,741,921
	977,894	**1,741,921**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

		31 December 2022	31 December 2021
25	**Interest expense at effective interest rate**		
	Note program	55,004,671	47,034,775
	Related party loan	6,795,131	4,778,277
	Interest expense on mobile loans	237,170,565	207,063,976
	Term loans	38,362,072	13,679,003
	Direct funding institutions (DFI's)	18,597,677	3,315,216
	Bank overdraft	4,252,571	808,363
	Customer deposits	14,292,426	16,577,606
		374,475,113	**293,257,216**
25b	**Interest and similar expense**		
	Interest expense on lease liabilities	358,265	358,410
		358,265	**358,410**
26	**Fee and commission income**		
	Insurance commissions	18,406,757	20,096,169
		18,406,757	**20,096,169**
27	**Collection commissions**		
	Collections commission	**34,661,397**	**18,281,557**
28	**Other operating income**		
	Gain on disposal	234,700	58,900
	Interest and penalty writeback	-	8,355,353
	Discounting fee	57,861	7,069
	Net foreign exchange gain	49,731,089	-
		50,023,650	**8,421,322**
29	**Credit loss expenses charge on loans and advances**		
	Loans and advances	**19,874,568**	**4,962,795**
30	**Personnel expenses**		
	Wages and salaries	10,169,513	8,597,132
	Employer pension contributions	1,755,293	1,533,340
	Share based payment	(773,380)	30,268
	Staff incentives and bonus	1,501,389	2,826,096
	Other staff related costs **	3,863,670	2,670,947
		16,516,485	**15,657,783**

Other staff costs comprises of: staff training, welfare, relocation expenses and others.

	31 December 2022	31 December 2021
Average number of full time employees during the period	190	200

		31 December 2022	31 December 2021
31	**Other expenses**		
	Depreciation and amortisation	2,420,608	4,750,538
	Depreciation right of use assets	3,636,434	2,432,768
	Auditors' remuneration	408,365	350,000
	Foreign exchange loss	116,236	4,552,220
	Directors' remuneration	184,188	231,000
	Advertisement	4,569,473	3,029,247
	Office expenses	542,414	906,950
	Professional fees	4,690,862	2,396,671
	Other operating expenses	4,788,092	2,876,110
	Telephone and internet expenses	1,719,711	1,448,421
	Travel and accommodation	909,865	354,141
	Utility	707,254	666,081
	Donation	90,662	101,013
	Insurance	162,456	141,738
	Repairs and maintenance	285,933	237,458
	Fuel, oil and lubricant	2,127,387	1,119,822
		27,359,940	**25,594,178**

32 Credit loss expenses charge on investment securities

Investment securities	**30,943,445**	**-**

33 Cash generated from operating activities

Operating activities

	Note	2022	2021
Profit before tax		**7,521,011**	**55,234,774**
Adjustments for:			
Depreciation of property and equipment	9	1,645,450	1,443,252
Depreciation of right of use assets	10	3,636,434	2,432,768
Amortisation of intangible assets	11	775,158	1,008,766
Interest earned on treasury bonds	6	(16,202,184)	(7,913,303)
Net foreign exchange gain		63,512,041	6,222,741
Gain on disposal of property and equipment	28	(234,700)	(58,900)
Interest expense on borrowings	17b	118,759,551	68,807,419
Interest expense on lease liabilities	14	358,265	358,410
Impairment charge on loans and advances	29	36,268,562	4,962,795
Share-based payment expense	23b	(773,380)	30,268
Impairment on investment securities	6	30,943,445	-
Changes in working capital:			
Increase in loans and advances to customers	7	(16,417,801)	(325,206,914)
Decrease / (Increase) in other assets	8	12,346,652	(24,739,440)
(Decrease) / Increase in customer deposits	12	(98,854,547)	118,659,797
(Decrease) / Increase in other liabilities	13	(19,415,943)	15,400,239
(Decrease) / Increase in collateral deposit	15	(98,170,412)	222,519,747
Interest and provision - write back	28	-	(8,355,353)
Cash flows from operations		**25,697,602**	**130,807,066**

34 Related party transactions	31 December 2022	31 December 2021
Loan from related party		
Letshego Holdings Limited - drawdown	-	87,472,896
Letshego Holdings Limited - repayment	-	41,328,798
Interest payment to related party		
Letshego Holdings Limited - interest accrued	6,795,131	4,778,277
Letshego Holdings Limited - interest payment	-	20,833,921

Key management personnel compensation

Remuneration is paid to directors in the form of fees to non-executive directors and salaries to directors of the Company. Directors' emoluments are disclosed in note 27.

	31 December 2022	31 December 2021
35 Fees for services as directors	**184,188**	**231,000**

36 Contingent assets and liabilities

There were no contingent assets and liabilities at 31 December 2022 (2021: Nil).

37 Capital commitments

There were no capital commitments at 31 December 2022 (2021: Nil).

38 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 2022.