BAYPORT

SAVINGS AND LOANS

Annual financial statements
for the year ended 31 December 2018

Index

The reports and statements set out below comprise of the annual financial statements presented to the shareholders:

General Information

Country of incorporation and domicile	Ghana	
Nature of business and principal activities	Provision of Micro-credit and Finance	
Directors	Kwame Pianim (Chairman)	Resigned 7th, June 2018
	Stuart Stone (Vice Chairman)	
	Nii Amankra Tetteh (Managing Director)	
	Angela Leibel	
	Felicity Acquah	Resigned 7th, June 2018
	Irene Duncan-Adanusa	
	Justin Chola	
	Nana Prah Agyensaim VI	Resigned 7th, June 2018
	Sandro Rtveladze	
Business address	71 Osu Badu Street Airport West Accra	
Parent company	Bayport Management Ltd Incorporated in the Republic of Mauritius	
Main bankers	Standard Chartered Bank Ghana Limited First Atlantic Bank Limited - Ghana	
Auditor	Ernst & Young Chartered Accountants G15, White Avenue P.O. Box KA 16009 Airport, Accra, Ghana	
Secretary	Dehands Services Limited 2nd Floor, Opeibea House 37 Liberation Road P.O. Box Ct 9347, Cantonments Accra, Ghana	
Company registration number	PL000022016	

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Code 1963 (Act 179) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS"). The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 16 to 47, which have been prepared on the going concern basis, were approved by the board of directors on _______________ and were signed on its behalf by:

Director

Director

Directors' Report

The directors have the pleasure in submitting their report on the annual financial statements for Bayport Savings and Loans (the "Company") for the year ended 31 December 2018.

1. Incorporation

Bayport Savings and Loans, previously known as Bayport Financial Services Ghana Limited ("the Company"), was incorporated on 23 October 2002 and obtained its certificate to commence business on 28 March 2003.

On 31 March 2017, by way of a special resolution and approval of the Registrar of Companies, the Company changed its name to Bayport Savings and Loans following the upgrade of its banking license from finance house to savings and loans.

2. Review of financial results and activities

Main business and operations

The Company was a non-bank financial institution incorporated and domiciled in Ghana. It operated under the Non-Bank Financial Institutions Act, 2008, (Act 774) and Non-Bank Financial Institutions (Bank of Ghana) Rules which has now been migrated to the Banking Act 2004, (Act 673), as amended by Act 738.

As from August 2017, the Bank of Ghana granted a Savings and Loans Licence to the Company under the Banks and Specialised Deposit Taking Institution Act 2016 (Act 930).

The Company is engaged:

1. To provide short, medium and long term micro-credit, micro-finance services and related products to workers and entrepreneurs;
2. To provide salary-deduction based loan to workers;
3. To provide micro-credit to traders in the informal sector;
4. To act as insurance agents collecting premiums on insurance products associated with the company's loans on behalf of the insurance service provider;
5. To accept deposit and other repayable funds from the public; and
6. To provide electronic banking.

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Authorised and issued share capital

There was no issue of shares during the year ended 31 December 2018 (2017: 2,749,239,848 shares).

4. Dividends

No dividends were declared or paid to the shareholders during the year (2017: nil).

5. Directors

The directors of the Company during the year end to the date of this report are as follows:

Name	Changes
Kwame Pianim (Chairman)	Resigned 7th June 2018
Stuart Stone (Vice Chairman)	
Nii Amankra Tetteh (Managing Director)	
Angela Leibel	
Felicity Acquah	Resigned 7th June 2018
Irene Duncan-Adanusa	
Justin Chola	
Nana Prah Agyensaim VI	Resigned 7th June 2018
Sandro Rtveladze	

6. Going concern

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

Directors' Report (continued)

7. Secretary

The secretary of the Company is Dehands Services Limited of:

Business address
2nd Floor, Opeibea House
37 Liberation Road
P O Box CT 9347, Cantonments
Accra, Ghana

8. Parent Company

The Company's parent company and ultimate holding company is Bayport Management Ltd, incorporated in the Republic of Mauritius.

9. Auditor

Ernst & Young were appointed on 7th June 2018 and will continue in office in accordance with section 134(5) of the Companies Code 1963, (Act 179) and the section 20 of the Banking and Specialised Deposit Institutions (Act 930).

10. Comparatives

The 2017 comparatives presented in the financial statements represent Bayport Financial Services Ghana Limited's figures only.

Profile of the Directors

Name	Director's Profile	Other Directorships
Nii Amankra Tetteh **(Managing Director)**	BSc Agriculture (Economics Major) from the University of Ghana Legon Post Graduate Certificate in Management from the University of Leicester United Kingdom Executive Masters in Business Administration from China Europe International Business School, Accra-Ghana Executive Management Certificate- IESE Business School, Barcelona, Spain	None
Mr. Justin Chola **(Non-Executive Director)**	BSc. from Newcastle University, United Kingdom MBA Cornell University USA	Bayport Management Ltd Bayport Financial Services 2010 (Pty) Limited Bayport Financial Services Ltd (Zambia) CLCM Investments Limited Twangale Investments Limited Kansanshi Copper Mines
Mrs. Irene Duncan-Adanusa **(Non-Executive Director)**	BA English & Education from the University of Cape Coast Postgraduate Diploma in Journalism and Communication Studies from the University of Ghana, Legon MA in Employment & Labour Studies from the Institute of Social Studies the Hague, Netherlands	None
Mrs. Angela N. Leibel **(Non-Executive Director)**	BA Social Science from the Kwame Nkrumah University of Science & Technology Post Graduate Degree in Corporate Management & Finance from Centre d'Etudes Finanaciéres Economiques et Bancaires – Marseille with Institut d'Administration des Entreprises (IAE), Panthéon – Sorbonne University, France	None
Mr. Sandro Rtveladze **(Non-Executive Director)**	BSc. in Engineering, IT in Economics from the Georgian Technical University, Georgia BA in Integrated Social Sciences (Economics, Politics, Journalism, Sociology) from Jacob Bremen University, Germany MSc. (Honours) in Financial Economics from the University of Oxford, United Kingdom	None

Profile of the Directors (continued)

Name	Director's Profile	Other Directorships
Mr. Stuart Stone **(Non-Executive Director)**	Bachelor of Commerce from the University of Cape Town Post Graduate Diploma in Accounting from the University of Cape Town	Bayport Management Ltd Bayport Financial Services 2010 (Pty) Ltd Zenthyme Investments (Pty) Ltd Actvest (Pty) Ltd Bayport Holdings (South Africa) (Pty) Ltd Bayport Financial Services Ltd (Zambia) Bayport Colombia S.A.S Bayport Savings & Loans Cashfoundry Ltd MoneyQuest Investment (Pty) Ltd Financiera Fortaleza S.A. de C.V., SOFOM, E.N.R Bayport Latin America Holdings Ltd Bayport International Headquarter Company (Pty) Ltd

Report of the Directors to members of Bayport Savings and Loans

Directors' Performance Evaluation

The performance and effectiveness of the board of Directors (the board), and its committee is evaluated annually. The evaluation is conducted by assessing the Board's composition and quality, its understanding of the business including risks, and its oversight of BS&L's financial reporting process, audit and compliance functions. The results of the evaluation are shared with all members of the Board, the issues arising from the evaluation are discussed at a board meeting and remedial action taken if necessary. Overall, it was noted that the board of Directors and its committees were operating in an effective manner and performing satisfactorily, with no major issues identified.

Corporate Governance

Bayport Savings & Loans PLC is committed to strong corporate governance practices that allocate responsibilities among the Company's shareholders, the Board and Executive Management to provide effective oversight and management of the Company with a view to enhancing long-term shareholder value.

The board is the focal point for, and ultimate custodian of, corporate governance. To achieve this, it endeavors to find the correct balance between compliance with corporate governance recommendations and best practice, while maintaining the company's performance and meeting strategic, operational and financial objectives.

The board ensures that the company is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the company but also the impact that business operations have on the environment and the society in which it operates. In doing so the board appreciates that stakeholders' perceptions affect the reputation of the company.

In discharging its Corporate Governance responsibilities, Bayport Savings and Loans PLC is guided by relevant laws and regulations and international best practices. The Company's corporate governance principles are contained in a number of corporate documents, including the Company's Regulations, the Board Charter, Corporate Governance Charter, Charters of Board and Management Committees, Conflict of Interest Policy and other policies that govern the day-to-day operations and ethical behaviors of staff and other relevant stakeholders. The board is responsible for directing the company towards the achievement of its vision and is ultimately accountable for the company's operating performance, financial results, and practices within the company's framework of corporate governance. The day to day management of the company is vested in the Managing Director and the management team appointed by him. Subject to any limitation imposed by the Companies Act and Regulations, the management of the business of the company shall be vested in the directors. The board is made up of a majority of Non-Executive Directors.

Three (3) non-executive directors retired by rotation at the Company's Annual General meeting held in June 2018. As at December 31, 2018 the Board had Six (6) members, made up of Five (5) non-executive Directors and One (1) executive director. The Company has nominated Three (3) independent non-executive directors to fill the vacancies on the board. The board has delegated various aspects of its work to Audit, Risk and Compliance (ARC) Committee. Board sub-committee members are appointed by the Board. The sub-committee has its own written terms of reference, duties and authorities as determined by the board.

The Audit, Risk and Compliance Committee is made up four (4) non-executive directors. The purpose of the Committee is to assist the board of directors in discharging its oversight responsibilities for:

Establishing, maintaining and ensuring effective operational and financial control systems.

Maintaining the integrity of financial reporting.

Establishing a framework for identification, management, control and monitoring of board risks, and for assuring legal and regulatory compliance, including anti-money laundering and anti-terrorist financing.

It oversees the effectiveness of the internal and external control systems of the company and monitors compliance by the company with all legal and statutory requirements for ensuring high standards in corporate good governance, financial reporting and ethical behavior on the part of all officers and employees of the company including its other stakeholders.

The Committee performs the following duties on behalf of the Board;
Oversight of the Company's financial reporting process and integrity to ensure that the financial statements are fairly stated.

Reviewing the quarterly financial statements before submission to the Board for approval, with particular reference to:

Changes, if any, in accounting policies and practices and reasons for the same.

Significant adjustments made in the financial statements arising out of audit findings.

Disclosure of any related party transactions

Qualifications in the draft audit report.

Oversight of the Company's Relationship with External and Internal Auditors.

Report of the Directors to members of Bayport Savings and Loans (continued)

The ARC Committee has the authority and direct responsibility to make recommendations to the Board of Directors with respect to the appointment, retention, compensation, evaluation and where appropriate replacement of the external auditors for approval and/or ratification by Shareholders.

Approving Internal Audit plans, monitoring and reviewing the effectiveness of internal controls and the internal audit function.

Reviewing the Company's program for compliance with laws and regulations, and the record of such compliance and significant legal cases outstanding against the Company, and other regulatory or legal matters that may have a material impact on the Company's financial statements or compliance.

Reviewing Compliance reports on anti-money laundering and anti-terrorist financing and filings of suspicious transactions and discussing with Management the modalities for enhancing its zero-tolerance for anti-money laundering related activities.

Disclosures under the Corporate Governance Directive 2018 (*for Banks, Savings & Loans Companies, Finance Houses and Financial Holding Companies*)

Annual Certification
The Board has independently assessed the Company's corporate governance processes in the light of Bank of Ghana's Corporate Governance Directive and implemented an action plan towards full compliance.

Directors are aware of their responsibilities to the Company as persons charged with governance. These responsibilities are detailed in the Board Charter, the Corporate Governance Policy and the Conflict of Interest Policy which guide the board in discharging its governance responsibilities.

Directors have participated in a corporate governance programme which encompassed directors' responsibilities under relevant laws and regulations.

Board Meeting Attendance
The board met five times during the year under review, the table below details attendance of individual board members.

Director	Number of meetings attended
Nii Amankra Tetteh	5
Justin Chola	4
Irene Duncan-Adanusa	5
Angela Leibel	5
Sandro Rtveladze	5
Stuart Stone	2

Directors Shareholding

None of the directors held shares in the Company as at 31st December 2018.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAYPORT SAVINGS AND LOANS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bayport Savings And Loans (the Company) set out on pages 15 to 47 which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 2018, 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, 1963 (Act 179) and the Banks and Specialised 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 Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Bayport Savings and Loans. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Bayport Savings and Loans. 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 each matter below, our description of how our audit addressed the matter is provided in that context.

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

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Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances in line with IFRS 9 Financial Instruments and related disclosure 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 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 take into account: • The probability-weighted outcome • Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Company's Expected Credit Loss includes: • Use of assumptions in determining ECL modelling parameters • portfolio segmentation for ECL computation • Determination of a significant increase credit risk and • Determination of associations between macroeconomic scenarios The use of different modelling techniques could produce significantly different estimates of loan loss provisions. Due to the complexity of the requirements of IFRS 9 with regards to the classification and measurement, it's impact on the financial position as at 31 December 2018 and the significance of related disclosures, we considered it as key audit risk and therefore paid attention to it's processes, data gathering and effect on related disclosures.	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

A total amount of GH¢30,173,528 has been recorded in the statement of profit or loss and other comprehensive income for the year as credit loss. The total impairment provision held as at 31 December 2018 in accordance with IFRS 9 impairment rules was GH¢48,528,345. Further disclosures relating to these amounts and the Company's accounting policies regarding estimating these ECLs have been disclosed in note 1.4 and note 4 of these financial statements	• 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, • Recalculated the ECL, testing forward looking information / multiple economic scenario elements • for stage 3 exposures, we tested 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
Adequacy of regulatory credit risk provisioning In addition to IFRS impairment rules, Bank of Ghana has specific rules governing regulatory provisions. Unlike IFRS impairment rules however, regulatory provision rules are more deterministic and triggered mainly by the number of days a facility has been in default. The excess of regulatory provision over IFRS impairment allowance is recognised directly in equity as Credit risk reserves. Regulatory credit risk provisions represent a key risk area for the company as misstatements in the carrying amount of this balance could have significant impact on the Company's financial statements including the accuracy of its capital adequacy computations, the amount of reserves that are distributable and other key industry performance indicators.	We assessed the systems and related controls instituted by management to ensure the accurate determination of these provisions. We reviewed the process for aging and categorisation of the various loan buckets and the application of related regulatory provision rates. We tested a sample of these provisions based on our overall risk assessment of this account.

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Other Information
The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Ghana, Managing Directors Report and the Chairman's Report. The other information does not include the financial statements and our auditor's report 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 on the other information obtained prior to the date of this auditor's report, 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, 1963 (Act 179) and the and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- 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.

Report on other legal requirements

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

- 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 balance sheet (statement of financial position) and the profit or loss account (profit or loss section of the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

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 explanation 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 Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;
- The company has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Pamela Des Bordes (ICAG/P/1329)
For and on behalf of Ernst & Young (ICAG/F/2019/126)
Chartered Accountants
Accra, Ghana

Date: 29th March, 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Ghana Cedi	Note	31 December 2018	31 December 2017
Interest income	16	257,644,749	170,344,695
Interest expense	17	(97,166,782)	(70,062,914)
Net interest income		**160,477,967**	**100,281,781**
Fees and commission income		2,951,577	2,204,552
Net fees and commission income		**2,951,577**	**2,204,552**
Net trading income		**163,429,544**	**102,486,333**
Other operating income		85,801	98,808
Other income	18	5,037,955	11,908,810
Operating income		**168,553,300**	**114,493,951**
Net impairment loss on financial asset	4&5	(30,173,528)	(14,652,254)
Foreign exchange losses		(4,424,034)	(1,712,056)
Personnel expenses		(40,293,400)	(34,049,428)
Operating lease expenses		(4,628,429)	(2,057,145)
Depreciation and amortisation	6&7	(8,786,082)	(5,066,531)
Other expenses		(68,798,845)	(51,112,897)
Profit before taxation	19	**11,448,982**	**5,843,640**
Income tax expense	8.1	(3,601,737)	(1,942,058)
Total comprehensive income/Profit for the year		**7,847,245**	**3,901,582**
Other comprehensive income		-	-
Total comprehensive income for the year		**7,847,245**	**3,901,582**

Basic earnings per share (pesewas per share)	29	0.0558	0.0278
Diluted earnings per share (pesewas cedis per share)	29	0.0558	0.0278

The accounting policies on pages 19 to 27 and the notes on pages 28 to 47 form an integral part of the annual financial statements.

Statement of Financial Position

Figures in Ghana Cedi	Note(s)	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents	3	29,539,114	35,485,139
Loans and advances to customers	4	576,503,573	438,845,209
Other assets	5	16,113,761	13,469,485
Current tax assets	8.2	11,724,479	1,858,523
Property and equipment	6	11,350,566	13,432,957
Intangible assets	7	12,809,652	12,623,682
Deferred tax assets	8.3	14,548,207	17,577,431
Total Assets		**672,589,352**	**533,292,426**
Liabilities and Equity			
Liabilities			
Deposits from customers	12	113,421,012	115,904,421
Other liabilities	13	52,164,575	28,053,515
Borrowings	14	293,727,220	213,214,205
Loans from shareholders	15	73,931,002	44,621,987
Total Liabilities		**533,243,809**	**401,794,128**
Equity			
Share capital	9	29,942,217	29,942,217
Income surplus		67,423,276	90,516,475
Statutory reserves	10	21,970,435	20,008,622
Regulatory credit risk reserves	11	28,978,631	-
Other reserves		(8,969,016)	(8,969,016)
Total Equity		**139,345,543**	**131,498,298**
Total Liabilities and Equity		**672,589,352**	**533,292,426**

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 3. The annual financial statements and the notes on pages 28 to 47, were approved and authorised for issue by the board of directors on 22 March 2019 and were signed on its behalf by:

Director

Director

The acccounting policies on pages 19 to 27 and the notes on pages 28 to 47 form an integral part of the financial statements.

Statement of Changes in Equity

Figures in Ghana Cedi	Share capital	Statutory reserve	Regulatory credit risk reserve	Other reserves	Total reserves	Income surplus	Total equity
Balance at 1 January 2017	**10,000,000**	**19,033,227**	**10,666,835**	**-**	**29,700,062**	**76,923,453**	**116,623,515**
Total comprehensive income/Profit for the year	-	-	-	-	-	3,901,582	3,901,582
Issue of shares	19,942,217	-	-	-	-	-	19,942,217
Transfer to statutory reserves	-	975,395	-	-	975,395	(975,395)	-
Transfer to regulatory credit risk reserves	-	-	(10,666,835)	-	(10,666,835)	10,666,835	-
Reserve arising on merger	-	-	-	(8,969,016)	(8,969,016)	-	(8,969,016)
Total movement for the year	19,942,217	975,395	(10,666,835)	(8,969,016)	(18,660,456)	13,593,022	14,874,783
Balance at 31 December 2017	**29,942,217**	**20,008,622**	**-**	**(8,969,016)**	**11,039,606**	**90,516,475**	**131,498,298**
Total comprehensive income/Profit for the year	-	-	-	-	-	7,847,245	7,847,245
Transfer to statutory reserves	-	1,961,813	-	-	1,961,813	(1,961,813)	-
Transfer to regulatory credit risk reserves	-	-	28,978,631	-	28,978,631	(28,978,631)	-
Total movement for the year	-	1,961,813	28,978,631	-	30,940,444	(23,093,199)	7,847,245
Balance at 31 December 2018	**29,942,217**	**21,970,435**	**28,978,631**	**(8,969,016)**	**41,980,050**	**67,423,276**	**139,345,543**
Note(s)	9	10	11	28			

The accounting policies on pages 19 to 27 and the notes on pages 28 to 47 form an integral part of the annual financial statements.

Statement of Cash Flows

Figures in Ghana Cedi	Note(s)	31 December 2018	31 December 2017
Cash flows from operating activities			
Cash used in operating activities	20	(95,133,492)	(69,809,880)
Tax paid	8.2	(10,438,469)	(5,997,563)
Net cash used in operating activities		**(105,571,961)**	**(75,807,443)**
Cash flows from investing activities			
Purchase of property, equipment and intangibles	6&7	(6,743,862)	(10,075,961)
Proceeds from sale of property and equipment	6&7	3,195	183,622
Net cash inflow upon merger	28	-	10,982,533
Net cash (used in)/generated from investing activities		**(6,740,667)**	**1,090,194**
Cash flows from financing activities			
Proceeds from borrowings		89,099,006	-
Repayment of borrowings		(13,360,282)	(29,595,807)
Proceeds from loans from shareholders		37,176,912	-
Repayment of loans from shareholders		(11,342,622)	(6,140,306)
Finance lease payments		-	(363,223)
Proceeds from issue of bonds		52,168,800	71,325,860
Repayments of bonds		(47,540,586)	-
Net cash generated by financing activities		**106,201,228**	**35,226,524**
Net decrease in cash and cash equivalents		**(6,111,400)**	**(39,490,725)**
Cash and cash equivalents at the beginning of the year		35,485,139	74,947,151
Effect of exchange rate movement on cash balances		165,375	28,713
Total cash and cash equivalents at the end of the year	3	**29,539,114**	**35,485,139**

The accounting policies on pages 19 to 27 and the notes on pages 28 to 47 form an integral part of the annual financial statements.

Significant Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Companies Code 1963 (Act 179). The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Ghana Cedis, which is the functional currency, rounded to the nearest Cedi.

The statement of financial position is presented in descending order of liquidity. Reference to the current maturities of these financial assets and liabilities are disclosed in the notes to the statement of financial position and in the analysis of financial assets and liabilities. The accounting policies are consistent with the previous year, except where specifically stated otherwise.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the directors and management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These form the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Certain accounting policies have been identified where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Assets useful lives and residual values

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed at each financial year-end and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in the future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, tax rates and competitive forces.

Impairment of financial assets

Financial assets are impaired using the approach prescribed in IFRS 9, unless the asset is considered to be credit impaired on initial recognition, in which case those specific requirements as contained in IFRS 9 will be applied. This approach requires for the provision of expected credit losses rather than incurred credit loss as IAS 39 required. The estimation of impairments of financial assets is inherently uncertain and depends on many factors, including general economic conditions (current and forward looking), structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Upon origination of financial assets, impairments measured at 12 month expected credit losses will be provided. Impairments measured at lifetime expected credit losses will be provided on financial assets whose credit risk that has increased significantly since initial recognition. Impairments measured at lifetime expected credit losses will also be provided on financial assets that are credit impaired.

1.2 Property and equipment

Property and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

The cost of an item of property and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property and equipment are initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property and equipment and costs incurred subsequently to add to, replace part of, or service it.

Significant Accounting Policies (continued)

1.2 Property and equipment (continued)

Property and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property and equipment have been assessed as follows:

Item	Average useful life
Furniture and fittings	5 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	3 years
Leasehold improvements	Over expected lease term

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

Derecognition of property and equipment

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is recognised on a straight line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis:

Item	Average useful life
Computer software	3 - 7 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Development costs which relate to the design and testing of new improved products, systems or processes are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits. These assets are tested whenever there is an indication that the assets may be impaired.

1.4 Financial instruments

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, matching the duration of financial assets to the liabilities that are funding those assets or realising cash flows through the sales of the assets;
- how the performance of the portfolio is evaluated and reported to Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example, liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- interest rate charged to customers;
- origination fee and service fee charged to customers;
- any other amounts charged to customers (if any);
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of time value of money (for example, periodical reset of interest rates).

Financial assets which have been classified as measured at amortised cost include cash and cash equivalents, trade and other receivables and loans and advances.

If the business model/SPPI test are not met, the financial asset would be classified as fair value through profit or loss.

Initial recognition and measurement

The Company initially recognises financial assets and liabilities on the date the Company becomes a party to the contractual provisions of the instruments, i.e. trade date. This is on the date that these financial instruments are originated.

Financial instruments are measured initially at fair value. Transaction costs that are directly attrbutable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition, except if fair value through profit and loss.

The Company generally does not reclassify financial instruments between different categories subsequent to initial recognition. Financial assets are reclassified only if the Company changes its business model for managing financial assets. In accordance with IFRS 9:

- Financial liabilities can never be reclassified; and
- Financial assets can only be reclassified if there is a change in business model.

Subsequent measurement

Amortised cost

Financial assets which are classified as measured at amortised cost, are measured using the effective interest method, less any expected credit losses which are recognised in profit or loss. Amortised cost is calculated by taking into account any transaction costs on acquisition as well as fees and costs that are an integral part of the effective interest rate. Origination fees and service fees are both considered to be integral to the effective interest rate. Origination fees are added to the original debt amount and included in the initial measurement of the loan.

Expected credit losses are calculated through the use of an appropriate impairment methodology.

Derecognition

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

Financial assets (or a portion thereof) are derecognised when the Company realises the rights to the benefits specified in the contract, the rights expire, the asset is substantially modified or the Company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable (including any new asset obtained) are included in profit or loss.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it are included in profit and loss.

Impairment of financial assets

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue costs and effort. The Company has utilised the 30-days past due rebuttable presumption to identify a significant increase in credit risk since initial recognition.

Definition of Default

The Company considers the following as constituting an event of default, and therefore credit-impaired, for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised costs are credit impaired.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the Company, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Group would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties.

Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The Company recognises loss allowances for expected credit losses on the following financial assets:
- Loans and advances; and
- Other assets.

Impairments are measured as 12-month expected credit losses upon origination. Where there has been a significant increase in credit risk since initial recognition of a financial asset, the loss allowance is measured as an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events on a financial instrument, that are possible within the 12 month period after the reporting date.

Significant Accounting Policies (continued)

1.4 Financial instruments (continued)

Expected credit losses are a probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired at the reporting date – as the present value of all cash flow shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expect to receive);
- Financial assets that are credit impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Other assets

Other assets are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

Other assets are classified at amortised cost.

Other payables

Other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax asset/liabilities for the current year and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Significant Accounting Policies (continued)

1.5 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

Value added tax
Revenues, expenses and assets are recognised net of the amount of VAT except where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

The net amount of value added tax recoverable from, or payable to, the Ghana Revenue Authority is included as part of receivables or payables in the statement of financial position.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.7 Impairment of assets other than financial assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Significant Accounting Policies (continued)

1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.10 Provisions and contingencies

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies (if any) are disclosed in a note of the financial statements, note 25.

1.11 Revenue

General policy

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Bank expect to receive in exchange for those products or services. Revenue is recognised net of allowances for returns and any taxes collected from customers.

Revenue comprises fees for rendering of services to customers, collection of owned book debts and finance charges on loans. Revenue is not subject to dissagregation.

Interest income

Interest is recognised, in profit or loss for all instruments measured at amortised cost, using the effective interest rate method.

This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

Significant Accounting Policies (continued)

1.11 Revenue (continued)

- purchased or originated credit impaired financial assets. For those financial assets, the Company applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

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 or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. The calculation includes all fees and points 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.

The credit adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit impaired financial asset. When calculating the credit adjusted effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial asset and expected credit losses.

Commission and other income

Commission and other income are recognised on an accrual basis in accordance with the substance of the relevant agreement and when services are rendered.

1.12 Deferred administration fees

Deferred administration fees charged to customers are added to gross loans and advances to customers and recognised over the term of the loan using the effective interest rate method.

1.13 Deferred commission costs

Deferred commission costs are loan originated costs. These are recognised over the term of the loan using effective rate method.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred using the effective interest method.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Cedi, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Cedi by applying to the foreign currency amount the exchange rate between the Cedi and the foreign currency at the date of the cash flow.

1.16 Related parties

Related parties are individuals and companies, where the individual and company have the ability, directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements.

Significant Accounting Policies (continued)

1.17 Business Combinations under Common Control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method.

The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the financial statements of the controlling holding company.

Any difference between the consideration paid and the net asset of the acquired entity is reflected within equity as "merger reserve".

The comparative periods are not restated as if the combination had taken place at the beginning of the earliest comparative period presented.

Instead the results of the acquirees are consolidated from the date of the acquisition using the carrying values of the acquirees assets and liabilities.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

In the current year, the Company has applied all of the new and revised Standards as issued by the IASB and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2018.

2.1 New and revised standards and interpretations with no material effect on the financial statements

The following relevant Standards and Interpretations have been applied in these financial statements. However, they did not have any impact on the Company's financial statements but may impact the accounts for future transactions or arrangements.

IFRS 4 Insurance contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers - original issue (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers - clarifications to IFRS 15 (effective 1 January 2018)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

2.4 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective on annual period on or after 1 January as indicated:

IAS 1 Presentation of Financial Statements - amendments regarding the definition of material (effective 1 January 2020)

IAS 12 Income Taxes - Amendments relating to uncertainty over income tax treatments brought by IFRIC 23 (effective 01 January 2019)

IAS 19 Employee Benefits - amendments regarding plan amendments, curtailment or settlements (effective 1 January 2019)

IAS 23 Borrowing costs - amendments resulting from Annual Improvements 2015-2017 Cycle (borrowing costs eligible for capitalisation) (effective 1 January 2019)

IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective 1 January 2019)

IFRS 16 Leases (effective 01 January 2019)

IFRS 17 Insurance Contracts - original issue (effective 1 January 2021)

IFRIC 23 Uncertainty over Income Tax Treatments (effective 01 January 2019)

Other than the impact of IFRS 16 listed below, the directors anticipate that these amendments will be applied in the Group annual financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet assessed the potential impact of the application of these amendments.

The directors anticipate that IFRS 16 will be applied in the Company's annual financial statements for the annual periods beginning on 1 January 2019. The directors have assessed the potential impact of the application of IFRS 16 Leases as explained further below:

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting period beginning on or after 1 January 2019.

The Company intends to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract is, or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. Controls exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset; and the right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The Company further intends to apply IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16 recognised as an adjustment to the opening balance of retained earnings at the date of initial application. In preparation for the first-time application of IFRS 16, the Company is currently assessing the impact of this standard on the financial statements.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

3. Cash and cash equivalents

Cash on hand	1,402,443	2,251,218
Bank balances	37,547,044	38,867,487
Cash and bank balances	38,949,487	41,118,705
Bank overdraft	(9,410,373)	(5,633,566)
As per statement of cash flows	**29,539,114**	**35,485,139**

Current assets	38,949,487	41,118,705
Current liabilities	(9,410,373)	(5,633,566)
Total cash and cash equivalents	**29,539,114**	**35,485,139**

Bank overdraft

As at 31 December 2018, the Company had overdraft facilities of GHS 9.4 million (2017: GHS 5.6 million). An average interest of 24.95% per annum (2017: 28% per annum) was charged during the year. The bank overdraft is secured over net advances.

4. Loans and advances to customers

Gross advances	619,823,571	507,891,724
Allowance for impairment provision	(43,319,998)	(69,046,515)
Net advances	**576,503,573**	**438,845,209**

Impairment provision		
At 1 January	69,046,515	47,778,969
Net impairment recognised in profit or loss	24,965,181	14,652,254
Utilisation of allowance for impairment	(50,691,698)	(8,610,811)
Impairment - additions through merger	-	15,226,103
At 31 December	**43,319,998**	**69,046,515**

Current assets	113,848,322	146,562,813
Non-current assets	462,655,251	292,282,396
Loans and advances	**576,503,573**	**438,845,209**

Loans and advances are provided as security for the bank overdrafts and term loan balances totalling GHS 9.41 million (2017: GHS 11.82 million).

Please refer to note 24.1 for disclosures on credit risks.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

5. Other assets

Current assets

Employee costs in advance	50,313	48,968
Prepayments	12,061,714	10,442,394
Sundry debtors	9,210,081	2,978,123
Impairment provision	(5,208,347)	-
Total other assets	**16,113,761**	**13,469,485**

Impairment provision		
At 1 January	-	-
Impairment provision recognised in profit or loss	5,208,347	-
At 31 December	**5,208,347**	**-**

The Directors consider that the carrying amount of other assets approximate their fair value.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

6. Property and equipment

Non-current assets

Cost	Furniture and Fittings	Motor Vehicles	Office Equipment	IT Equipment	Leasehold Improvements	Total
At 1 January 2017	1,954,781	5,352,638	2,539,757	2,898,665	3,486,217	16,232,058
Additions	839,865	673,130	1,742,199	1,625,560	2,465,976	7,346,730
Additions through merger	1,567,581	1,026,536	3,503,975	1,776,164	900,859	8,775,115
Disposal	-	(400,307)	-	-	-	(400,307)
At 31 December 2017	4,362,227	6,651,997	7,785,931	6,300,389	6,853,052	31,953,596
Additions	108,434	-	89,941	958,941	2,520,656	3,677,972
Disposal	(3,400)	(317,088)	-	(51,407)	-	(371,895)
At 31 December 2018	**4,467,261**	**6,334,909**	**7,875,872**	**7,207,923**	**9,373,708**	**35,259,673**
Accumulated depreciation						
At 1 January 2017	1,043,892	2,910,265	1,384,825	1,729,503	2,532,829	9,601,314
Charge for the year	417,565	1,053,049	723,887	905,347	929,987	4,029,835
Additions through merger	902,097	850,004	1,601,958	1,250,563	576,137	5,180,759
Disposal	-	(291,269)	-	-	-	(291,269)
At 31 December 2017	2,363,554	4,522,049	3,710,670	3,885,413	4,038,953	18,520,639
Charge for the year	708,201	860,752	1,342,784	1,383,717	1,421,033	5,716,487
Disposal	(512)	(317,088)	-	(10,419)	-	(328,019)
At 31 December 2018	**3,071,243**	**5,065,713**	**5,053,454**	**5,258,711**	**5,459,986**	**23,909,107**
Carrying value						
At 31 December 2018	**1,396,018**	**1,269,196**	**2,822,418**	**1,949,212**	**3,913,722**	**11,350,566**
At 31 December 2017	1,998,673	2,129,948	4,075,261	2,414,976	2,814,099	13,432,957

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

7. Intangible assets

Non current assets

Cost	**Computer Software**	**Asset under development**	**Total**
At 1 January 2017	1,147,744	3,993,870	5,141,614
Additions	2,729,231	-	2,729,231
Additions through merger	5,021,790	3,638,060	8,659,850
At 31 December 2017	8,898,765	7,631,930	16,530,695
Additions	3,065,891	189,674	3,255,565
At 31 December 2018	**11,964,656**	**7,821,604**	**19,786,260**
Accumulated Amortisation			
At 1 January 2017	722,243	-	722,243
Charge for the year	1,036,696	-	1,036,696
Additions through merger	2,148,074	-	2,148,074
At 31 December 2017	3,907,013	-	3,907,013
Charge for the year	3,069,595	-	3,069,595
At 31 December 2018	**6,976,608**	**-**	**6,976,608**
Carrying value			
At 31 December 2018	**4,988,048**	**7,821,604**	**12,809,652**
At 31 December 2017	4,991,752	7,631,930	12,623,682

Asset under development represent software still under development. This will be amortised when the asset is in use.

8. Income taxes

8.1 Income tax recognised in profit or loss

	31 December 2018	31 December 2017
Current tax		
In respect of the current year	-	2,938,912
In respect of prior year	-	303,808
Total current tax	-	3,242,720
National stabilization Levy		
In respect of the current year	572,513	292,182
Deferred tax		
In respect of the current year	3,029,224	(754,710)
In respect of prior year	-	(838,134)
Total deferred tax	3,029,224	(1,592,844)
Total income tax expense recognised in the current year	**3,601,737**	**1,942,058**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

8. Income taxes (continued)

8.1 Income tax recognised in profit or loss (continued)

Reconciliation of tax expense		
Profit before taxation	11,448,982	5,843,640
Tax at the effective rate 25% (2017: 25%)	2,862,246	1,460,910
Tax effect of adjustments on taxable income		
Tax effect of expenses that are not deductible in determining taxable profit	166,978	723,292
National Stabilization Levy rate of 5 % (effective 15 July 2013)	572,513	292,182
	3,601,737	**2,476,384**
Adjustments recognised in the current year in relation to the current tax of prior years	-	(534,326)
Income tax expense recognised in profit or loss	**3,601,737**	**1,942,058**
Effective tax rate	31 %	33 %

8.2 Current tax assets

Current tax assets	11,724,479	1,858,523
Total	**11,724,479**	**1,858,523**

Reconciliation of current tax assets/(liabilities)		
At 1 January	1,944,768	(1,049,158)
Current tax for the year recognised in profit or loss	-	(3,242,720)
Tax paid	9,583,143	5,202,646
Additions through merger	-	1,034,000
At 31 December	**11,527,911**	**1,944,768**

Reconciliation of National Stabilization Levy		
At 1 January	(86,245)	(588,980)
Tax for the year recognised in profit or loss (note 8.1)	(572,513)	(292,182)
Paid during the year	855,326	794,917
At 31 December	**196,568**	**(86,245)**

Total		
At 31 December	11,724,479	1,858,523

8.3 Deferred tax balances

The following is the analysis of deferred tax assets presented in the statement of financial position.

Deferred tax breakdown		
Accelerated capital allowances for tax purposes	803,376	315,802
Provision for impairment of loans and advances	10,830,000	17,261,629
Tax losses	1,612,744	-
Provision for impairment of sundry debtors	1,302,087	-
Total deferred tax assets	**14,548,207**	**17,577,431**

Reconciliation of deferred tax assets		
At 1 January	17,577,431	12,178,061
Originating temporary differences on tangible fixed assets	487,574	82,482
Originating temporary differences on provision for impairment on advances	(6,431,629)	5,316,888
Originating temporary differences on provision for impairment on sundry debtors	1,302,087	-
Tax losses available for set off against future taxable income	1,612,744	-
At 31 December	**14,548,207**	**17,577,431**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

9. Share capital

Authorised
20,000,000,000 Ordinary shares

Issued	Number of shares	Share capital	Total
At 1 January 2017	11,303,000,000	10,000,000	10,000,000
Issue of shares	2,749,239,848	19,942,217	19,942,217
At 31 December 2017	14,052,239,848	29,942,217	29,942,217
At 31 December 2018	**14,052,239,848**	**29,942,217**	**29,942,217**

There is no unpaid liability on any share and there are no calls or instalments in arrears.

10. Statutory reserves

The statutory reserve fund represents the cumulative amount set aside from annual profit after tax as required by Section 29 of the Banking Act 2001 (Act 673) as amended by Act 738. The proportion of net profit transferred to this reserve ranges from 15% to 50% of net profit after tax depending on the ratio of the existing statutory reserve fund to paid up capital.

At 1 January	20,008,622	19,033,227
Transfer from income surplus account	1,961,813	975,395
At 31 December	**21,970,435**	**20,008,622**

11. Regulatory credit risk reserves

The account is used to record the excess of impairment as per the Bank of Ghana rules over the impairment based on International Financial Reporting Standards. The excess is transferred from the income surplus to the regulatory credit risk reserve. As at 31 December 2018, the provision recorded was lower than per the Bank of Ghana rules, which resulted in a transfer to income surplus account.

At 1 January	-	10,666,635
Transfer from/(to) income surplus account	28,978,631	(10,666,635)
At 31 December	**28,978,631**	**-**

12. Deposits from customers

By maturity		
Within one month	38,596,296	31,919,512
One to three months	32,812,168	14,953,012
Three months to one year	41,983,422	69,031,897
More than one year	29,126	-
Total deposits from customers	**113,421,012**	**115,904,421**

By nature		
Retail funding		
Saving accounts	10,813,248	13,222,202
Fixed deposit accounts	102,607,764	102,682,219
Total deposits from customers	**113,421,012**	**115,904,421**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi		31 December 2018	31 December 2017

13. Other liabilities

Current liabilities

Trade payables		2,822,644	4,506,209
Accrued expense		11,246,845	5,301,707
Amount due to related party (refer to note 23.2)		15,206,403	9,493,727
Interest payable		22,852,190	8,335,159
Withholding tax payable		36,493	416,713
Total other liabilities		**52,164,575**	**28,053,515**

14. Borrowings

Held at amortised cost			
Corporate bonds	(i)	204,628,214	200,000,000
Term Loans	(ii)	89,099,006	13,214,205
Total borrowings		**293,727,220**	**213,214,205**

(i) Terms of the bond is 3 to 5 years and interest rates range from 19.50% to 28% per annum (2017: 17.88% to 28% per annum).

In January 2017, the Company listed a total of GHS 78.55 million Medium-Term Notes on the Ghana Alternative Market (GAX) of the Ghana Stock Exchange. An additional note of GHS 50.1 million was issued in May 2016. In August 2017, GHS 60 million was raised while GHS 11.3 million was received in October 2017. The Note Programme ended with a total bond of GHS 200 million. The issue comprise a fixed rate notes of GHS 179.51 million and GHS 20.49 million floating rate notes.

(ii) Term loans include funding received by the Company from local banks and financial institutions. Terms of the loans vary from 1 year to 3 years and variable interest rates vary from 20.5% to 26.63% per annum (2017: 20.50% to 26.00% per annum).

Current liabilities		
At amortised cost	23,753,420	91,761,125
Non-current liabilities		
At amortised cost	269,973,800	121,453,080
Total borrowings	**293,727,220**	**213,214,205**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi		31 December 2018	31 December 2017

15. Loans from shareholders

Non-current liabilities

Bayport Management Ltd	(i)	-	44,621,987
Bayport International Headquarters Company (Pty) Limited	(ii)	73,931,002	-
		73,931,002	**44,621,987**

(i) The loan from Bayport Management Ltd was repaid in full in June 2018.

(ii) The loans from Bayport International Headquarters Company (Pty) Limited are unsecured, repayable in August 2022 and carry interest ranging from 8.70% to 24.13% per annum.

16. Interest income

Interest on loans and advances	236,968,605	157,922,156
Loan origination fees	20,676,144	12,422,539
Total interest income	**257,644,749**	**170,344,695**

17. Interest expense

Interest on loan from shareholders	10,436,508	1,702,524
Interest on deposits from customers	28,167,761	19,660,814
Interest on bank overdrafts and term loans	9,717,652	9,454,308
Interest on corporate bonds	48,844,861	39,245,268
Total interest expense	**97,166,782**	**70,062,914**

18. Other income

Other non advances interest income	3,041,916	5,109,028
Sundry income	1,981,913	6,725,198
Profit on disposal of property and equipment	14,126	74,584
Total other income	**5,037,955**	**11,908,810**

19. Profit before taxation

Profit before taxation for the year is stated after accounting for the following:

Contractual amounts of operating leases	4,628,429	2,057,145
Profit on sale of property and equipment	(14,126)	(74,584)
Depreciation and amortisation of property and equipment and intangibles	8,786,082	5,066,531
Employee costs	40,293,400	39,450,263
Foreign exchange loss	4,424,034	1,712,056

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

20. Cash used in operations

Profit before taxation	11,448,982	5,843,640
Adjustments for:		
Depreciation and amortisation	8,786,082	5,066,531
Profit on sale of property and equipment	(14,126)	(74,584)
Foreign exchange loss	4,410,397	1,712,056
Increase in provision for credit impairment	48,666,275	14,652,254
Changes in working capital:		
Increase in gross advances	(186,324,638)	(118,513,615)
(Increase)/decrease in other assets	(2,498,197)	9,118,591
Increase in other liabilities	22,875,143	13,288,080
Decrease in deposits from customers	(2,483,410)	(902,833)
Cash used in operations	**(95,133,492)**	**(69,809,880)**

21. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2018

	Opening balance	Financing cash flows	Currency movements	Other non-cash movements	Closing balance
Borrowings	213,214,205	80,366,938	-	-	293,581,143
Loans from shareholders	54,115,714	25,834,290	3,474,729	(9,493,731)	73,931,002
Total liabilities from financing activities	**267,329,919**	**106,201,228**	**3,474,729**	**(9,493,731)**	**367,512,145**

Reconciliation of liabilities arising from financing activities - 2017

	Opening balance	Financing cash flows	Currency movements	Other non-cash movements	Closing balance
Borrowings	166,555,570	41,730,053	-	4,928,582	213,214,205
Loans from shareholders	274,211	(6,140,306)	1,416,216	58,565,593	54,115,714
Finance lease obligation	363,223	(363,223)	-	-	-
Total liabilities from financing activities	**167,193,004**	**35,226,524**	**1,416,216**	**63,494,175**	**267,329,919**

22. Commitments

Operating lease commitments - Company as lessee

The Company has entered into commercial leases for premises for its operations. These leases have an average life of between three and five years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are, as follows:

Within one year	3,017,147	3,160,220
After one year but not more than five years	2,965,324	2,844,608
More than five years	440,870	557,398
	6,423,341	**6,562,226**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

23. Related parties

Relationships

Bayport Management Ltd	Holding Company
Bayport International Headquarters Company (Pty) Limited	Minority shareholder
Actvest (Proprietary) Limited	Fellow subsidiary
Bayport Financial Services Ltd ("Zambia")	Fellow subsidiary

Details of transactions between the Company and other related parties are disclosed below.

23.1 Trading transactions

	2018	2017
Interest expense		
Bayport Management Ltd	1,904,116	1,702,524
Bayport International Headquarters Company (Pty) Limited	8,444,297	-
	10,348,413	**1,702,524**
Interest received		
CFC Savings and Loans limited (Deposit placements)	-	6,391,063
Professional fees		
Actvest (Proprietary) Limited	5,461,022	-

23.2 Amount payable to related parties

The following balances were outstanding at the end of the reporting period:

	2018	2017
Other liabilities		
Bayport Management Ltd	11,041,929	6,228,900
Actvest (Proprietary) Limited	4,126,589	3,264,827
Bayport Financial Services Ltd ("Zambia")	37,885	-
	15,206,403	**9,493,727**

The other liabilities are unsecured, have fixed terms of repayment and are interest free.

	2018	2017
Loans from shareholder		
Bayport International Headquarters Company (Pty) Limited	73,931,002	-
Bayport Management Ltd	-	44,621,987
	73,931,002	**44,621,987**

23.3 Compensation to directors and other key management

	2018	2017
Short-term employee benefits	1,918,928	3,997,939
Post-employment benefits	130,001	429,206
Termination benefits	-	7,848,884
	2,048,929	**12,276,029**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

24. Risk management

The board is responsible for risk management and the setting of the risk management framework. Oversight of risk management is the responsibility of the audit, risk and compliance committee (ARC). The ARC committee monitors risks associated with financial reporting, accounting policies, internal control and IT governance. The audit, risk and compliance committee is responsible for risk management including setting the risk management framework, setting risk appetite and monitoring the Company's management of risk including credit and compliance.

24.1 Credit risk

Credit risk is the risk of loss arising from the failure of a client or counterparty to discharge an obligation to the Company. The primary credit risks that the Company is exposed to arise from retail loans. It is not the Company’s strategy to avoid credit risk, but rather to manage credit risk within the Company’s risk appetite and to earn an appropriate risk adjusted return.

Credit risk management and measurement

The Company is responsible for the identification, measurement, management, control and reporting of credit risk within their business units. Exposure to credit losses is managed by assessing customer’s affordability and their ability to repay loans and advances, customer’s risk profile, employment status and stability. Terms of the loan provided range from 1 to 72 months. Impairments are monitored and provided for using statistical techniques including experiential and behavioural models. These models are based on customers’ financial performance information while on book and assume that recent performance is a strong indicator of future performance. Models are developed internally.

Collections of instalments are made through payroll deductions or debit order collections. The expected loss model is developed using statistical techniques based on actual historical data. The expected loss is calculated for each active account, using parameter estimates including the probability of default (‘PD’), exposure at default ('EAD') and loss given default (‘LGD’) segmented using contractual delinquency states (aging, recency and reason for default) as well as remaining term. The segmentation ensures homogenous risk buckets. The LGD is calculated on an explicit basis per account, taking into consideration the settlement balance, discount rates and discount periods. In respect of other portfolio, the company structured the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and geographical and industry segment.

The Company utilised the 30-days past due definition to determine a significant increase in credit risk as per paragraph 5.5.11 of IFRS 9.

Since collections are mainly through payroll deductions, the Company has defined credit impaired financial assets as assets which have missed 4 or more consecutive instalments or when there is qualitative information of the borrower being in significant financial difficulty. We have therefore rebutted the 90-days presumption based on historical quantitative analysis of the PDs and alignment to operational collection processes.

Financial assets subject to risk

The maximum exposure to credit risk of financial assets at the financial year end is analysed as follows:

2018	**Loans and advances**	**Other assets**	**Total**
Neither past due nor credit impaired	509,222,200	4,052,046	513,274,246
Past due but not credit impaired	91,297,420	-	91,297,420
Credit impaired	26,838,853	5,208,347	32,047,200
Impairment allowance	(43,319,998)	(5,208,347)	(48,528,345)
Total financial assets	**584,038,475**	**4,052,046**	**588,090,521**

2017	**Loans and advances**	**Other assets**	**Total**
Neither past due nor credit impaired	398,169,625	3,027,091	401,196,716
Past due but not credit impaired	71,224,277	-	71,224,277
Credit impaired	38,497,822	-	38,497,822
Impairment allowance	(69,046,515)	-	(69,046,515)
Total financial assets	**438,845,209**	**3,027,091**	**441,872,300**

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

24. Risk management (continued)

Valuation of collateral

Advances are unsecured and collateral held by the Company is immaterial.

Impairment provision reconciliation

	12 month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets	Total
At 1 January 2016	5,866,543	20,139,070	21,773,355	47,778,968
Originations	5,667,790	1,808,800	2,091,300	9,567,890
Existing book movements	1,232,451	10,774,869	19,489,424	31,496,744
Derecognition settlements in the ordinary course of business	(1,908,889)	(5,421,026)	(3,856,361)	(11,186,276)
Write-offs	-	-	(8,610,811)	(8,610,811)
At 31 December 2017	10,857,895	27,301,713	30,886,907	69,046,515
Originations	5,331,228	2,885,690	1,948,227	10,165,145
Existing book movements	(2,216,854)	1,885,410	40,633,102	40,301,658
Derecognition settlements in the ordinary course of business	(4,145,954)	(9,310,342)	(6,836,979)	(20,293,275)
Write-offs	-	-	(50,691,698)	(50,691,698)
At 31 December 2018	**9,826,315**	**22,762,471**	**15,939,559**	**48,528,345**

24.2 Categories of financial instruments

Financial assets		
<u>At amortised cost</u>		
Cash and cash equivalents	38,949,486	41,020,404
Loans and advances to customers	584,038,475	441,861,637
Other assets	4,052,046	3,027,091
Total financial assets	**627,040,007**	**485,909,132**
Financial liabilities		
<u>At amortised cost</u>		
Bank overdrafts	9,410,373	5,535,265
Deposits from customers	113,421,012	115,904,421
Other liabilities	51,556,325	27,043,351
Borrowings	293,727,220	213,360,282
Loans from shareholder	73,931,002	44,621,987
Total financial liabilities	**542,045,932**	**406,465,306**

24.3 Financial risk management

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

24.4 Liquidity risk

The table below analyses liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the entity. It is unusual for financial institutions ever to be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

24. Risk management (continued)

The maturity of assets and liabilities to replace, at an acceptance cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the entity and its exposure to changes in interest rates and exchange rates.

31 December 2018

Financial liabilities	0 - 3 months	4 - 12 months	1 - 5 years	Total
Bank overdraft	9,410,373	-	-	9,410,373
Deposits from customers	72,964,552	47,542,328	33,597	120,540,477
Other liabilities	51,556,325	-	-	51,556,325
Borrowings	14,967,709	72,711,733	421,570,017	509,249,459
Loans from shareholders	-	-	118,788,742	118,788,742
Cashflows from financial liabilities	**148,898,959**	**120,254,061**	**540,392,356**	**809,545,376**

31 December 2017

Bank overdraft	5,535,265	-	-	5,535,265
Deposits from customers	47,607,995	79,582,685	-	127,190,680
Other liabilities	27,043,351	-	-	27,043,351
Borrowings	4,530,024	133,973,020	175,391,704	313,894,748
Loans from shareholders	20,552,350	25,995,895	-	46,548,245
Cashflows from financial liabilities	**105,268,985**	**239,551,600**	**175,391,704**	**520,212,289**

24.5 Interest rate risk

The objective of the entity's interest rate risk management process is to manage and control interest rate exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Interest rate risk is the risk that movements in interest rates will reduce the entity's income or capital.

A principal part of the entity's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The entity aims, through its management of interest rate risk, to mitigate the impact of prospective interest rate movements which could reduce future earnings and capital.

Sensitivity analysis - **Increase/decrease of 10% in net interest margin**

The interest rate risks sensitivity analysis is based on the following assumptions:

- Changes in the market interest rates affect the interest income or expenses of variable financial instruments;
- Changes in the market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair values;
- The interest rate changes will have an effect on interest sensitive assets and liabilities and hence simulation modelling is applied to financial instruments which are quoted at variable interest rates; and
- The projections make other assumptions including that all positions run to maturity.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

24. Risk management (continued)

The table below sets out the impact on current profit after taxation and equity of an incremental 10% parallel fall or rise on all yield curves at the beginning of the current financial year beginning on 1 January 2018.

31 December 2018	Base	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after tax	7,847,245	7,711,664	7,982,826
Equity	139,345,543	139,209,962	139,481,124

31 December 2017	Base	Scenario 1 Effect after 10% increase in variable interest rates	Scenario 2 Effect after 10% decrease in variable interest rates
Profit after tax	3,901,582	2,972,834	4,830,330
Equity	131,498,298	130,569,550	132,427,046

Assuming no management actions an increase in interest rates a rise would decrease the Company's profit after tax for the year by GHS 135,581 (2017: GHS 928,748) and equity by GHS 135,581 (2017: GHS 928,748), while a fall would increase profit after tax and equity by the same amounts.

24.6 Capital risk management

The Company's objectives when managing capital are to comply with the capital requirements set by the Bank of Ghana, to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

At present the Bank of Ghana requires non-bank financial institutions to maintain a capital adequacy ratio (regulatory capital to weighted risk assets) at a minimum of 10%.

Regulatory capital as defined by the Bank of Ghana has two components:

Tier 1 capital: share capital arising on permanent shareholders' equity, income surplus and reserves created by appropriations of income surplus. The book value of any goodwill must be deducted in arriving at Tier 1 capital; and

Tier 2 capital: qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to qualify as subordinated loan capital, it should possess the following attributes:

- should be unsecured;
- repayment is subordinated to other debt instruments;
- should have a minimum original fixed term to maturity of over 5 years; and
- not available to absorb the losses of a company which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier 1 capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and couterparty.

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the company at the reporting dates.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi		31 December 2018	31 December 2017

24. Risk management (continued)

Paid-up capital		29,942,217	29,942,217
Disclosed reserves		80,424,695	101,556,081
Tier 1 capital		**110,366,912**	**131,498,298**
Prepayments and intangible assets		(22,906,726)	(10,442,394)
Net Tier 1 Capital		**87,460,186**	**121,055,904**
Total assets		687,029,408	538,827,961
Less:			
Cash in hand (GHS)		(62,145)	(410,390)
Treasury bills		(151,443)	-
80% of claims on other banks		(30,988,719)	(24,801,845)
Adjusted total assets		655,827,102	513,615,726
100% of 3 years average annual gross income		98,434,302	98,434,302
Adjusted asset base		**754,261,404**	**612,050,028**
Capital adequacy ratio		11.60 %	19.78 %

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the Bank of Ghana guidelines for supervisory purposes.

The gearing ratio at 31 December 2018 and 31 December 2017 respectively were as follows:

Total borrowings			
Borrowings	14	293,727,220	213,214,205
Loans from shareholders	15	73,931,002	44,621,987
Bank overdraft	3	9,410,373	5,633,566
		377,068,595	**263,469,758**
Less: Cash and cash equivalents	3	(38,949,487)	(41,118,705)
Net debt		338,119,108	222,351,053
Total equity		139,345,543	131,498,298
Total capital		**477,464,651**	**353,849,351**
Gearing ratio		71 %	63 %

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

24. Risk management (continued)

24.7 Foreign exchange risk

The Company has certain borrowings in foreign currency and is exposed to foreign exchange risk arising from various currency exposures.Consequently the Company is exposed to the risk that the carrying amounts of these foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange rates.

The Company's currency position is as follows:

31 December 2018	GHS	USD	ZAR	ZMW	Total
Assets					
Cash and bank balances	31,189,347	7,760,139	-	-	38,949,486
Loans and advances to customers	584,038,475	-	-	-	584,038,475
Other assets	4,052,046	-	-	-	4,052,046
Total financial assets	**619,279,868**	**7,760,139**	**-**	**-**	**627,040,007**
Liabilities					
Bank overdraft	9,409,422	951	-	-	9,410,373
Deposits from customers	113,421,012	-	-	-	113,421,012
Other liabilities	36,349,929	14,982,933	185,578	37,885	51,556,325
Borrowings	293,727,220	-	-	-	293,727,220
Loans from shareholder	37,688,090	36,242,912	-	-	73,931,002
Total financial liabilities	**490,595,673**	**51,226,796**	**185,578**	**37,885**	**542,045,932**
Net financial position	**128,684,195**	**(43,466,657)**	**(185,578)**	**(37,885)**	**84,994,075**

31 December 2017	GHS	USD	ZAR	ZMW	Total
Assets					
Cash and bank balances	40,583,423	436,981	-	-	41,020,404
Loans and advances to customers	441,861,637	-	-	-	441,861,637
Other assets	3,027,091	-	-	-	3,027,091
Total financial assets	**485,472,151**	**436,981**	**-**	**-**	**485,909,132**
Liabilities					
Bank overdraft	5,535,265	-	-	-	5,535,265
Deposit from customers	115,904,421	-	-	-	115,904,421
Other liabilities	17,549,624	9,439,416	54,311	-	27,043,351
Borrowings	213,360,282	-	-	-	213,360,282
Loans from shareholder	-	44,621,987	-	-	44,621,987
Total financial liabilities	**352,349,592**	**54,061,403**	**54,311**	**-**	**406,465,306**
Net financial position	**133,122,559**	**(53,624,422)**	**(54,311)**	**-**	**79,443,826**

The objective of the entity's foreign exchange risk management is to manage and control foreign exchange exposure in order to optimise return on risk while maintaining a market profile consistent with the entity's mission.

Foreign exchange risk is the risk that movements in foreign exchange rates will reduce the entity's income or capital.

A principal part of the entity's management of foreign exchange risk is to monitor the sensitivity of future earnings and capital to varying foreign exchange rates. The entity aims, through its management of foreign exchange risk, to mitigate the impact of foreign exchange fluctuations which could reduce future earnings and capital.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

24. Risk management (continued)

Foreign exchange risks - appreciation/depreciation of GHS against other currencies by 10%

The foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Cedi,
- The currency sensitivity analysis is based on the assumption that all net currency positions are highly effective,
- The base currencies which the entity's business are transacted is Cedi.

The table below sets out the impact on current earnings of and incremental 10% parallel fall or rise in all foreign currencies at the beginning of the current financial year from 1 January 2018.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

31 December 2018	Base	Scenario 1 Effect after 10% appreciation	Scenario 2 Effect after 10% depreciation
Profit after tax	7,847,245	11,124,004	4,570,486
Equity	139,345,543	142,622,302	136,068,784

31 December 2017	Base	Scenario 1 Effect after 10% appreciation	Scenario 2 Effect after 10% depreciation
Profit after tax	3,901,582	7,927,470	(124,306)
Equity	131,498,298	135,524,186	127,472,410

Assuming no management actions an appreciation in the Cedi would increase profit after tax for the year by GHS 3,276,759 (2017: GHS 4,025,888) and equity by GHS 3,276,759 (2017: GHS 4,025,888),while a depreciation would decrease profit after tax and equity by the same amounts

The company reviews its foreign currency exposure, including commitments on an ongoing basis.

The following are the closing rates used to retranslate foreign currency balances which are denominated in US Dollars ("USD"),South African Rands ("ZAR") and Zambia Kwacha ("ZMW"):

USD/GHS	4.9139	4.5230
ZAR/GHS	0.3425	0.3653
ZMW/GHS	0.4121	0.4262

25. Contingent liability

There are no contingent liabilities at the end of the reporting period.

26. Fair value measurements

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange).

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi

26. Fair value measurements (continued)

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

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

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required).

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and bank balances	-	-	38,949,486	38,949,486
Loans and advances to customers	-	-	584,038,475	584,038,475
Other assets	-	-	4,052,046	4,052,046
Total Assets	**-**	**-**	**627,040,007**	**627,040,007**
Liabilities				
Bank overdraft	-		9,410,373	9,410,373
Deposit from customers	-	-	113,421,012	113,421,012
Other liabilities	-	-	51,556,325	51,556,325
Borrowings	-	204,628,214	89,099,006	293,727,220
Loans from shareholder	-	-	73,931,002	73,931,002
Total Liabilities	**-**	**204,628,214**	**337,417,718**	**542,045,932**

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and bank balances	-	-	41,020,404	41,020,404
Loans and advances to customers	-	-	441,861,637	441,861,637
Other assets	-	-	3,027,091	3,027,091
Total Assets	**-**	**-**	**485,909,132**	**485,909,132**
Bank overdraft	-	-	5,535,265	5,535,265
Deposit from customers	-	-	115,904,421	115,904,421
Other liabilities	-	-	27,043,351	27,043,351
Borrowings	-	200,000,000	13,360,282	213,360,282
Loans from shareholder	-	-	44,621,987	44,621,987
Total Liabilities	**-**	**200,000,000**	**206,465,306**	**406,465,306**

27. Segment reporting

The board of directors of Bayport Savings and Loans is provided with information on a single segment basis for the purposes of assessing performance and allocating resources. The board reviews revenue, underlying operating profit, operating profit, assets and liabilities at a consolidated level. In light of this, the Company has a single segment for financial reporting purposes and therefore no further detailed segmental information is provided in this note.

The Company has a large and diverse customer base and there is no significant reliance on any single customer.

Notes to the Annual Financial Statements (continued)

Figures in Ghana Cedi	31 December 2018	31 December 2017

28. Business combinations under common control (merger)

Merger with CFC Savings and Loans Limited

On 1 October 2017, CFC was merged with the Company by way of a share swap. In exchange of their shareholding, the shareholders of CFC received shares in the Company at a ratio of 1 CFC share for 3,004,633.714 company share. The total number of shares issued were 2,749,239,848 and were valued at GHS 19,942,217. There was no cash consideration involved.

On the date of merger, the assets and liabilities of CFC were taken over by the Company. CFC's principal activities were the provision of financial services, including loans and advances to small and medium enterprises, to accept deposits and other repayable funds from the public, to undertake micro-funding and to subscribe to short term securities.

Assets and liabilities acquired at the date of merger

	31 December 2018	31 December 2017
Assets		
Cash and bank balances	-	10,982,533
Loans and advances	-	92,483,097
Other receivables	-	12,191,920
Current tax assets	-	1,034,000
Property and equipment	-	10,106,132
Total assets	**-**	**126,797,682**
Liabilities		
Other payables	-	7,421,736
Borrowings	-	4,800,000
Deposits from customers	-	58,674,499
Shareholders loan	-	49,346,077
Total liabilities	**-**	**120,242,312**
Deferred tax asset recognised on merger		
Deferred tax arising on impairment provision	-	4,417,829
Merger reserve arising on merger		
Value of merger	-	19,942,217
Net assets aquired	-	(10,973,201)
	-	**8,969,016**

29. Basic/diluted earnings per share (pesewas per share)

	31 December 2018	31 December 2017
Basic earnings per share		
From continuing operations	0.0558	0.0278

The earnings and number of shares used in the calculation of basic earnings per share are as follows:

	31 December 2018	31 December 2017
Profit for the year attributable to owners of the Company	7,847,244	3,901,582
Earnings used in the calculation of basic earnings per share	**7,847,244**	**3,901,582**
Number of shares for the purpose of basic earnings per share	**14,052,239,848**	**14,052,239,848**

30. Events after the reporting period

At the date of signing the financial statements, the directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statement, which significantly affected the financial position of the Company and results of its operatons.