BOND SAVINGS AND LOANS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2019

BOND SAVINGS AND LOANS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

BOND SAVINGS AND LOANS LIMITED

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

BOARD OF DIRECTORS

CHAIRMAN	MR. JAMES SAGOE	APPOINTED 18/02/2020
	MR. PETER OSEI DUAH	RESIGNED 31/03/2019
MANAGING DIRECTOR	MR. GEORGE OFOSUHENE	
MEMBERS	MR. KROBO EDUSEI JNR	
	MR. NEWTON BRENYA	
	MR. ISAAC KODOM	RESIGNED 01/04/2019
SECRETARY	LUCY GENEVIEVE LAMPTEY	
AUDITOR	PKF ACCOUNTANTS & BUSINESS ADVISERS FARRAR AVENUE P.O.BOX 1219 ACCRA	
REGISTERED OFFICE	BOND HOUSE SAFEBOND CAR TERMINAL PMB 245, COMM. 1 TEMA	
BANKERS	CONSOLIDATED BANK GHANA LIMITED FIRST ATLANTIC BANK LIMITED FIDELITY BANK GHANA LIMITED ADB BANK LIMITED	

BOND SAVINGS AND LOANS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

In accordance with the requirements of Section 136 of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we the Board of Directors of Bond Savings and Loans Limited, do herewith submit our annual report on the state of affairs of the Company for the year ended 31 December 2019.

Statement of Directors Responsibilities

The directors are responsible for the preparation of financial statements that give a true and fair view of Bond Savings and Loans Limited, comprising the statements of financial position at 31 December 2019, and the statements of profit or loss, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of the report of the directors.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Results:

	2019	2018
	GH¢	GH¢
Interest Income	**96,117,237**	130,018,910
Profit before tax	**6,998,596**	8,880,499
From which is deducted a Tax provision of	**(2,314,617)**	(219,615)
Leaving a balance of	**4,683,979**	8,660,884
This is to be added to an Income surplus balance brought forward from the previous year of	**(17,304,676)**	919,106
IFRS 9 adjustments	**0**	1,213,675
and transfer to Statutory Reserve Fund	**(1,170,995)**	(2,165,221)
and transfer from/(to) credit risk reserve of	**3,744,426**	(25,933,120)
Leaving a Balance on the Income Surplus Account of	**(10,047,267)**	(17,304,676)

Nature of Business

The principal activity of the Company during the year was in accordance with Section 2 of the regulations of the Company. This represents no change from the activities carried out for the previous year.

BOND SAVINGS AND LOANS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

Particulars of entries in the Interests Register during the financial year
Directors and their associate companies had loan facilities to the tune of GH¢9.50million with the company as at year end. These transactions had been recorded in the Interests Register as required by Sections 194(6), 195 (1) (a) and 196 of the Companies Act 2019, (Act 992).

Corporate social responsibility and code of ethics
In the area of corporate social responsibility, three important projects were undertaken in 2019.

i. The infirmary of Christian Faith Forster Home was refurbished,
ii. A modern storage facility was built for the Manhean Polyclinic,
iii. In collaboration with the children heart foundation, BOND sponsored the heart surgery of one child.

Capacity building of directors to discharge their duties
In relation to capacity building of directors, a training programme in corporate governance was organised for directors of the company in March 2019.The training was facilitated by Purple Almond Consulting Services, an IFC/World Bank Governance Certified Trainer with varied experience in Ghana, Africa and other continents. In addition, this training is a partial certification that will count towards the full certification in corporate governance required of Directors.

Auditors and Audit fees
In accordance with Section 139(5) of the Companies Act, 2019 (Act 992), PKF will remain in office as auditors for the Company. As at 31 December 2019, the amount payable in respect of audit fees was GH¢40,000.

Going Concern
The Board of Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Dividend
The Directors do not recommend the payment of a dividend to Shareholders.

Auditors' Qualified Opinion
In response to the Auditors' qualified opinion, the directors explain as follows:

The Securities and Exchange Commission (SEC), as the Receiver of All-Time Capital Limited, had validated Bond's exposure and indicated its readiness to pay the validated amount in full when payment commences. (Reference SEC's letter dated 7th July 2020). Consequently, the liability as far as the exposure to All-Time Capital is concerned falls directly on SEC and not All-Time Capital Limited which legally ceases to exist. As evidenced in other instances in Ghana where Receivers were appointed for liquidated banks, all depositors were paid validated claims and our situation is no different.

On FirstBanc Financial Services Limited (FirstBanc), we acknowledge that SEC is yet to validate our exposure to the company. However, there is an issue of cross exposure where FirstBanc holds investments with Bond and vice versa. Bond has placements with FirstBanc to the tune of GH¢5.6m while that held by Bond in favour of FirstBanc currently amounts to GH¢4.9m.

We therefore expect that in dealing with the cross exposure, and in accordance with the norm, the indebtedness of Bond to FirstBanc should be set off against the indebtedness of FirstBanc to Bond in order to arrive at the level of impairment to be applied, instead of looking at only one side of the transaction.

Acknowledgement
The Board of Directors hereby expresses its sincere appreciation for the support, loyalty and dedicated service of the staff, management and all stakeholders of the Company over the past year.

Approval of the report of the directors
The report of the directors of Bond Savings and Loans Limited, was approved by the board of directors

on 18th August 2020 and signed on their behalf by

Director....................................... Director.......................................

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOND SAVINGS AND LOANS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Bond Savings and Loans Limited which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of Bond Savings and Loans Limited as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Qualified Opinion

1. Included in the Company's short term investments are impaired investment of GH¢10,375,074 placed at All Time Capital Limited whose operating license have been revoked by the Regulatory Authority (Security and Exchange Commission).

   Provision should have been made for these impaired investment as required by International Financial Reporting Standards (IFRS 9). Accordingly if the company had not departed from IFRS 9, the profit before tax of GH¢6,998,596 and the net profit after tax of GH¢4,683,979 would have change by GH¢10,375,074 to a loss position of GH¢3,376,479 and GH¢5,691,095 respectively. The shareholders' fund would reduce by the same amount from GH¢81,646,992 to GH¢71,271,918.

2. The Company offset its impaired investment of GH¢5,690,321 and deposit of GH¢4,951,807 at First Banc Financial Services Limited which is currently under Receivership. This constitutes a departure from the offsetting criteria as required by International Accounting Standards (IAS) 32 for financial instruments (Presentation) which states that a financial asset and liability shall be offset and the net amount presented when, and only when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company failed to comply with the offsetting criteria as required by International Accounting Standards (IAS) 32 for financial instruments (Presentation).

3. Accordingly, if the company had not departed from IAS 32, the impairment loss on financial assets would have increased from GH¢17,156,156 to GH¢22,107,963 and the net loss before tax will increase from GH¢3,376,479 to GH¢8,328,286 respectively. The Capital Adequacy Ratio for the year ended 31 December 2019 would also have been 9.87% (2018:11.10%). This is below regulatory minimum requirement of 10% as required by Bank of Ghana. This event indicate that a material uncertainty exists that may cast significant doubts on the Company's ability to continue as a going concern.

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 Code of Ethics for Professional Accountants (including

International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances in line with IFRS 9 Loans and advances to customers constitute a significant portion of the total assets of the Company. At 31 December 2019, gross loans and advances to customers were GH¢266.8 million (2018: GH¢ 270.4million) against which total loan impairment amount of GH¢ 33.1 million (2018: GH¢ 25.97 million) was recorded, thus leaving a net loan balance of GH¢ 211 million (2018: GH¢ 231.6 million) which represents about 62.29% (2018: 57.74%) of the total assets as at the reporting date (see note 14). The basis of the impairment amount is summarised in the accounting policies in the financial statements. The directors exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers. The company has implemented IFRS 9 Financial Instruments since 1 January 2018. This complex standard requires the company to recognise Expected Credit Losses (ECL) on financial instruments, which involves exercise of significant judgment and estimates. The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the company's implementation of IFRS 9 include: i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions.	We focused our testing of the impairment of loans and advances to customers on the key assumptions and inputs made by management and directors. Specifically, our audit procedures included: • Obtaining an understanding of the loan loss impairment calculation process within the Company; • Testing the design and determining implementation of key controls across the processes relevant to the ECL (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual provisions and processing of journal entries and disclosures); • Assessing the ECL provision levels by stage to determine if they were reasonable considering the company's portfolio, risk profile, credit risk management practices and the macroeconomic environment; • Challenging the criteria used to allocate assets to stages 1, 2 or 3 in accordance with IFRS 9; • Testing the assumptions, inputs and formulae used in a sample of ECL models (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models); • Testing the data used in the ECL calculation by reconciling to source systems; and • Assessing the adequacy and

ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria. iii. Modelling for estimation of ECL parameters: • Probabilities of Default (PDs) – 12-month and lifetime; • Loss Given Default (LGD); and • Exposure at Default (EAD). iv. Completeness and accuracy of data used to calculate the ECL. Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	appropriateness of disclosures for compliance with the accounting standards. Based on our review, we found that the Company's impairment methodology, including the model, assumptions and key inputs used by management and directors to estimate the amount of loan impairment losses and the estimated loan impairment losses determined were appropriate in the circumstances.

Other information

The Board of Directors is responsible for the other information. The other information comprises reports of the Directors but does not include the Company's financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, 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 Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that gives a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal control as the Board of Directors determines 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 Board of 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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 Board of Directors.

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

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

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

Report on Other Legal and Regulatory Requirements

The Companies Act 2019, (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

ii) In our opinion proper books of account have been kept by the Bond Savings and Loans Limited, so far as appears from our examination of those books, and

iii) The statement of financial position and statement of profit or loss of the Company are in agreement with the accounting records and proper returns adequate for the purposes of the audit have been received from branches not visited by the auditors.

iv) The financial statements give a true and fair view of the state of affairs of the Company and its results for the year under review

v) Adequate disclosure have been made in the financial statements for the directors' remuneration and the amount reported in the financial statements are in agreement with the accounting records and returns.

vi) We are independent of the Company in accordance with Section 143 of the Companies Act 2019 (Act 992).

vii) The Company has complied with the disclosure requirement of section 136 of the Companies Act 2019 (Act 992).

viii) The Company has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) as amended by the Anti-Terrorism (Amendment) Act, 2014 (Act 875) and the regulations made under these enactments.

ix) The Company's transactions are within its powers.

PKF

SIGNED BY: F. BRUCE TAGOE (ICAG/P/1087)
FOR AND ON BEHALF OF PKF (ICAG/F/2020/039)
CHARTERED ACCOUNTANTS
FARRAR AVENUE
ACCRA

8th August **2020**

BOND SAVINGS AND LOANS LIMITED

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 GH¢	2018 GH¢
Interest Income	*4*	**96,117,237**	130,018,910
Interest Expense	*5*	**(61,215,657)**	(87,489,837)
Net Interest Income		**34,901,580**	42,529,073
Other Income	*7*	**1,579,149**	1,928,482
Net Commission and Fees	*6*	**1,511,338**	2,484,769
		37,992,067	46,942,324
Impairment Loss on Financial Assets	*8*	**(6,781,082)**	(10,773,365)
		31,210,985	36,168,959
Operating Expenses	9	**(24,805,358)**	(27,326,844)
Share of profit in associate	15	**592,969**	38,384
Net Profit beforeTax		**6,998,596**	8,880,499
National Fiscal Stabilization Levy		**(349,930)**	(432,289)
Taxation	*10a(i)*	**(1,964,687)**	212,674
Net Profit transferred to Income Surplus Account		**4,683,979**	8,660,884
Basic earnings per share (Ghana cedi per share)	31	**1.56**	2.89

BOND SAVINGS AND LOANS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 GH¢	2018 GH¢
ASSETS			
Cash and Bank Balances	11	**58,272,555**	72,147,954
Non-Pledged Trading assets	12	**62,228,865**	58,488,833
Pledged Trading Assets	13	**0**	14,693,758
Loans and Advances	14	**211,080,271**	231,643,866
Investment (Other than Securities)	15	**5,336,369**	4,743,400
Deferred Tax Assets	10c	**8,539,934**	7,069,851
Other Assets	16	**1,236,062**	2,779,505
Intangible Assets	17	**1,505,449**	2,167,519
Property,Plant & Equipment	18	**12,884,348**	7,468,254
TOTAL ASSETS		**361,083,853**	401,202,940
LIABILITIES			
Due to Banks	11a	**11,844,191**	0
Deposits from Banks, SDIs & Other BOG Licensed Fin.	19	**41,974,081**	48,145,361
Deposits from Customers	20	**204,757,271**	270,056,236
Provision	21	**862,550**	1,313,054
Current Tax Liabilities	10b	**7,756,283**	4,779,695
Other Liabilities	22	**12,242,485**	6,570,581
TOTAL LIABILITIES		**279,436,861**	330,864,927
SHAREHOLDERS' FUND			
Stated Capital	23	**29,435,267**	29,435,267
Revaluation Reserve	24	**6,625,000**	0
Statutory Reserve Fund	25	**21,542,930**	20,371,935
Credit Risk Reserve	26	**34,091,061**	37,835,487
Income Surplus Account		**(10,047,267)**	(17,304,676)
TOTAL SHAREHOLDERS' FUND		**81,646,992**	70,338,013
TOTAL LIABILITIES AND SHAREHOLDERS FUND		**361,083,853**	401,202,940

Approved by the Board on 18th August **2020**

..........................DIRECTOR **..........................DIRECTOR**

BOND SAVINGS AND LOANS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Stated Capital GH¢	Income Surplus GH¢	Credit Risk Reserve GH¢	Statutory Reserve Fund GH¢	Revaluation Surplus GH¢	Total GH¢
2019						
Balance as at 1 January	**29,435,267**	**(17,304,676)**	**37,835,487**	**20,371,935**	**0**	**70,338,013**
Transfer from Credit Risk Reserve	**0**	**3,744,426**	**(3,744,426)**	**0**	**0**	**0**
Revaluation of Building	**0**	**0**	**0**	**0**	**6,625,000**	**6,625,000**
Transfer to Statutory Reserve Fund	**0**	**(1,170,995)**	**0**	**1,170,995**	**0**	**0**
Net Profit for the Year	**0**	**4,683,979**	**0**	**0**	**0**	**4,683,979**
Balance at 31 December	**29,435,267**	**(10,047,267)**	**34,091,061**	**21,542,930**	**6,625,000**	**81,646,992**
2018						
Balance as at 1 January	29,435,267	919,106	11,902,367	18,206,714	0	60,463,454
IFRS 9 Adjustment	0	1,213,675	0	0	0	1,213,675
Transfer to Credit Risk Reserve	0	(25,933,120)	25,933,120	0	0	0
Transfer to Statutory Reserve Fund	0	(2,165,221)	0	2,165,221	0	0
Net Profit for the Year	0	8,660,884	0	0	0	8,660,884
Balance at 31 December	29,435,267	(17,304,676)	37,835,487	20,371,935	0	70,338,013

BOND SAVINGS AND LOANS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 GH¢	2018 GH¢
Cash flows from operating activities			
Net Profit before taxation		**6,998,596**	8,880,499
Adjustments for:			
Impairment Loss on Financial Assets		**6,781,082**	10,773,365
Depreciation & Amortisation		**2,301,494**	2,454,554
Share of Profit of Associate		**(592,969)**	(38,384)
Operating Profit before working capital changes		**15,488,203**	22,070,034
Change in Loans and Advances		**14,108,901**	(52,410,332)
Change in Other Assets		**1,543,443**	(1,128,409)
Change in Pledged Assets		**14,693,758**	11,549,132
Change in Short Term Investments		**(9,018,227)**	10,542,205
Change in Customers Deposits		**(60,347,158)**	27,785,613
Change in Banks, SDIs & Other BOG Licensed Fin.		**(6,171,280)**	6,239,667
Change in Due to Banks		**11,844,191**	0
Change in Other Liabilities		**5,671,904**	1,612,345
Change in Provision		**(450,504)**	342,994
Cash generated in operations		**(12,636,769)**	26,603,249
Taxation			
Tax Paid		**(808,112)**	(710,612)
Net Cash generated in operations		**(13,444,881)**	25,892,637
Cash flows from investing activities			
Purchase of Intangible Assets		**(62,266)**	(811,900)
Purchase of Property, Plant & Equipment		**(368,252)**	(1,592,262)
Net cash used in investing activities		**(430,518)**	(2,404,162)
Cash flows from financing activities			
Proceed from issue of shares		**0**	0
		0	0
Net Increase in cash and cash Equivalents		**(13,875,399)**	23,488,475
Cash and Cash Equivalents at beginning of the year		**72,147,954**	48,659,479
Cash and Cash Equivalents at end of the year	**27**	**58,272,555**	72,147,954

1. REPORTING ENTITY

Bond Savings and Loans Limited (BSLL) is a non- bank financial institution incorporated and domiciled in Ghana under the companies Act, 2019 (Act 992). The registered office is located at Bond House, Safebond Car Terminal, Tema. Bond Savings and Loans Limited operates under the Banks and Specialised Deposit-taking institutions Act 2016 (Act 930).

2. Basis of Preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and other applicable Ghanaian laws.

a. Basis of measurement

The financial statement has been prepared under the historical cost basis except where fair value measurement of certain financial instruments is required or permitted under IFRS and set out in the relevant accounting policies below.

b. Presentation of financial statements

The company presents its statement of financial position in order of liquidity. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the company.

c. Functional & presentation currency

The financial statements are presented in Ghana Cedis(GH¢) which is also the company's functional currency.

3. Summary of Significant Accounting Policies

The company has adopted the following significant accounting policies in the preparation of these financial statements:

a. Property Plant & Equipment

The company recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the amount meets materiality threshold set by the company.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the company would currently obtain from the disposal of an asset in similar age and condition as expected at the end of the useful life of the asset.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

Asset Classification	**Basis**	**Rate**
Leasehold Building and Improvement	Straight Line	2%
Office Equipment	Straight Line	25%
Furniture & Fittings	Straight Line	25%
Motor Vehicles	Straight Line	25%

Costs associated with routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalized if it is probable that future economic benefits associated with the item will flow to the company.

The carrying values of property, plant and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the item. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the pre-operating expenses.
Residual values, useful lives and methods of depreciation for property and equipment are reviewed, and adjusted if appropriate, at the date of financial statements.

b. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are met before revenue is recognized:

Interest Income

Interest income is recognized in the income statement for all interest-bearing financial instruments measured at amortised cost, including loans and advances, as interest accrues using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.
The effective interest rate is calculated on initial recognition of the financial asset, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts for processing and commitment fees paid or received by the company that are an integral

part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument.
Where a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commissions and fees

The company earns commission and fees from a limited range of services provided to its customers. Fees earned for the provision of services over a period of time are accrued over that period. Facility fees for loans and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

c. Interest expense

Interest expense is recognised in the statement of comprehensive income for all interest-bearing financial instruments measured at amortised cost as interest accrues using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument. The calculation includes all amounts for processing and commitment fees paid by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

d. Financial instruments

Initial Recognition and Measurement 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 solely payments of principal and interest on the principal amount outstanding.

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 realizing cash flows through the sales of the assets; how the performance of the portfolio is evaluated and reported to the 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 ow cash flows are realized. 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 customer (if any);
- contingent events that would change the amount and timing of cash flow;
- 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 recognizes 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 attributable 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 recognized 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

Financial assets (or a portion thereof) are derecognized when the Company realizes 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 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 utilized 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 Company 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 I s in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation o9r has entered into bankruptcy proceedings, or in the case of trade receivable, 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 Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.
Measurement and recognition of Expected credit losses

The Company recognizes loss allowances for expected credit losses on the following financial assets:

- Loans and Advances
- Cash and Bank Balances
- Intercompany Receivables
- 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.

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 form 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 reorganization, 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 and loss.

e. Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities in associates are incorporated in these financial statements using the equity method of accounting, except when the investments, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of profit or loss and other comprehensive income of the associate
When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate (which includes any long-term interest that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate (which includes any long-term interest that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

f. Other Payables

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

g. 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.

h. Bank overdraft and borrowings

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

i. 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, of realise the asset and settle the liability simultaneously.

j. Provisions

The Company recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event and 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 amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Contingent liabilities and contingent assets are disclosed in the notes to the financial statements.

k. Credit Risk Reserve

Loans and Receivables

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a transfer is made from distributable to non-distributable reserves in the statement of changes in equity, being the regulatory general risk reserve. The non-distributable regulatory general credit risk reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

l. Employee Benefits

The company contributes to the defined contribution schemes (the Social Security Fund) on behalf of employees.

Retirement Benefits Cost

The Company contributes to the statutory Social Security and National Insurance Trust (SSNIT).This is a defined contribution scheme registered under the National Social Security Act. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. All employer contributions are charged to profit or loss as incurred and included under staff costs.

Provident Fund

This is defined contribution scheme under which the company contributes 10% of qualifying employees' basic monthly salaries to a fund managed by a trustee on behalf of, and for the benefit of the employees. Obligations for contribution to defined contribution pension plans are recognized as an expense in the statement of profit or loss when they are due.

Short-Term Employment Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

m. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

The Company's intangible assets comprise of its software which is currently being amortised rate of 25%.

n. 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. Dividends are recognised as a liability in the year in which they are declared.

o. 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 balance are disclosed in the notes to the financial statements.

p. Taxation

a) Income Tax

Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in shareholders' equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set-off exists.

b) Deferred tax

Deferred taxation is provided, using the liability method, on all temporary differences At the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets recognized for all deductible temporary differences and carry-forward of unused tax assets and losses, to the extent that it is probable that taxation profits will be available against which the deductible temporary differences and carry-forward of unused tax assets and losses, can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and the legal right to set-off exists.

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

c) Value Added Tax (VAT)

Revenue, expenses and assets are recognized 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 recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of value added tax included.

q. New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2019, and have not been applied in preparing these financial statements. These are disclosed as follows:

IAS 1 "Presentation of Financial Statements
IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.
The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.
The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The above new standards, interpretations and amendments are not expected to have any material impact on financial statements.

		2019 GH¢	2018 GH¢
4.	**Interest Income**		
	Loans and Advances to Customers	**83,016,077**	109,387,255
	Investments Securities	**13,101,160**	20,631,655
		96,117,237	130,018,910
5.	**Interest Expenses**		
	Time and other deposits	**59,967,111**	86,571,536
	Current Accounts	**1,248,546**	918,301
		61,215,657	87,489,837
6.	**Net Commission and Fees**		
	Arrangement fees	**1,511,338**	2,484,769
7.	**Other Operating Income**		
	Penal Income	**17,460**	17,095
	COT and management fees	**482,189**	463,563
	Commision on clearing and money trans	**77611**	123,358
	Overdraft Fees	**52,000**	60,580
	Miscellaneous Income	**949,889**	1,263,886
		1,579,149	1,928,482
8.	**Impairment Loss on Financial Assets**		
	Impairment on Loans and Advances	**7,177,474**	7,586,311
	Impairment on Placements	**(396,392)**	3,187,054
	Balance at 31 December	**6,781,082**	10,773,365

		2019	2018
		GH¢	GH¢
9.	**Operating Expenses**		
	Staff Cost	**10,680,924**	7,745,403
	Directors' Remuneration	**45,970**	233,241
	Audit Fees	**40,000**	139,500
	Occupancy	**1,779,394**	2,139,861
	Depreciation and Amortistion	**2,301,494**	2,454,554
	General and Administrative Expenses	**9,957,576**	14,614,285
		24,805,358	27,326,844

10a. Taxation

(i) Income tax expense

	2019	2018
Current Tax Expense	**3,434,770**	2,295,302
Deferred Tax (10c)	**(1,470,083)**	(2,507,976)
	1,964,687	(212,674)

All tax liabilities are subject to the agreement of the Ghana Revenue Authority.

(ii) Reconciliation of effective tax rate

	2019	2018
Profit Before Tax	**6,998,596**	8,880,499
Corporate Tax at 25% (2018: 25%)		
Tax calculated at corporate tax rate	**1,749,649**	2,220,125
Tax effect of non -deductible expenses	**2,270,644**	613,639
Tax effect of capital allowance	**(585,523)**	(479,783)
Deferred Tax (Credit)	**(1,470,083)**	(2,507,976)
	1,964,687	(153,995)
Effective tax rate %	**28**	(2)

		Balance 1 Jan.	Payment during the year	Charge for the year	Balance 31 Dec
10b.	**Income Tax**	GH¢	GH¢	GH¢	GH¢
	2018	4,404,032	0	0	4,404,032
	2019	0	(800,000)	3,434,770	2,634,770
	National Fiscal Stabilization levy	375,663	(8,112)	349,930	717,481
		4,779,695	(808,112)	3,784,700	7,756,283
10c.	**Deferred Tax**	(7,069,851)	0	(1,470,083)	(8,539,934)
		(2,290,156)	(808,112)	2,314,617	(783,651)

		2019 GH¢	2018 GH¢
11.	**Cash and Bank Balances**		
	Current and Call Accounts	**55,925,377**	68,696,305
	Cash on Hand	**2,347,178**	3,451,649
		58,272,555	72,147,954
11a	**Due to Banks**		
	Overdraft	**6,432,868**	0
	Overdrawn Position	**5,411,323**	0
		11,844,191	0

The Company has negotiated an overdraft facility with a limit of GH¢10 million with its Bankers for six months. The amount represents the utilised portion of the facility at year end. Interest is paid on the overdraft at rate of 22% per annum.

		2019 GH¢	2018 GH¢
	Short term Investments		
12.	Non-Pledged Trading assets	**69,030,181**	56,837,383
	Accrued Interest	**941,153**	4,838,504
		69,971,334	61,675,887
	Less Impairment Loss	**(7,742,469)**	(3,187,054)
		62,228,865	58,488,833
13.	Pledged Trading Assets	**0**	12,988,657
	Accrued Interest	**0**	1,705,101
		0	14,693,758
14.	**Loans and Advances**		
	Analysis by type		
	Employee assistance facility	**3,044,911**	6,096,526
	Bond Import Loans	**14,871,653**	16,012,255
	Working Capital Loans	**126,496,968**	113,735,944
	Bond Asset Finance	**71,551,593**	93,735,944
	Bond Asetenapa	**2,568,560**	4,586,581
	Bond Dwadie Boafo	**1,677,249**	3,180,797
	Overdraft	**19,580,436**	12,106,369
	Payroll	**27,001,496**	21,030,049
		266,792,866	270,484,465
	Less Interest in Suspense	**(22,560,082)**	(12,865,560)
	Less Credit impairment on Loans and Advances (14d)	**(33,152,513)**	(25,975,039)
		211,080,271	231,643,866
14a.	**Other Statistics**		
	i. Loan loss provision ratio	**12.43%**	9.60%
	ii. Gross non -performing loan ratio	**16.37%**	16.53%
	iii. 50 largest exposure(gross funded loan and advances to total exposure)	**77.42%**	74.00%
14b.	**Analysis by type of Customers**		
	Personal	**32,614,967**	39,966,947
	Corporate	**231,153,981**	226,664,939
	Staff	**3,023,918**	3,852,579
		266,792,866	270,484,465

	2019	2018
	GH¢	GH¢

14c. Analysis by industry sector

Agric & forestry	**105,110**	250,200
Service	**65,682,613**	58,023,896
Commerce and finance	**75,270,064**	63,699,800
Transport, storage & communication	**17,212,150**	10,357,990
Manufacturing	**17,467,343**	10,199,944
Construction	**32,524,973**	55,400,056
Electricity, water, oil & gas	**15,031,309**	20,599,965
Mining & quarrying	**10,730,516**	15,500,035
Miscellaneous & personal loans	**32,768,789**	36,452,579
Total	**266,792,866**	270,484,465

*Miscellaneous includes staff personal loans of GH¢3,023,918.06 (2018: GH¢3,852,578)

14d. Impairment allowance for loans and receivables

Balance as at 1 January	**25,975,039**	19,602,401
IFRS 9 Adjustment	**0**	(1,213,675)
Charge for the year	**7,177,474**	7,586,313
Balance at 31 December	**33,152,513**	25,975,039
Impairment on Investment	**4,555,415**	3,187,054
Impairment on Loans & Advances	**7,177,474**	7,586,311
Balance at 31 December	**11,732,889**	10,773,365

Loan provisioning/impairment are carried out in accordance with Bank of Ghana Policy as well as the principles of IFRS. Loan impairment losses calculated based on IFRS principles are passed through the income statement .

When the credit loss provision calculated under IFRS principles is less than what is required under the Bank of Ghana, transfers are made from the income surplus account into the non-distributable regulatory credit reserves.

Provisions per Bank of Ghana Guidelines	**29,408,087**	51,908,159
Provisions per IFRS	**(33,152,513)**	(25,975,039)
	(3,744,426)	25,933,120

15. Investment (Other than Securities)

The entity acquired a 25% ownership interest in Acacia Health Insurance, a private commercial health insurance company registered under the laws of Ghana, on 31 December 2015 and was carried at cost.

The investment in associate is accounted for using the equity method.

The financial year end of Acacia Health Insurance is 31 December 2019. For the purposes of applying the equity method of accounting, the audited financial statements for the year ended and as at 31 December 2019 of Acacia Health Insurance Limited have been used.

Summarised financial information in respect of the investment is set out below:
The summarised financial information (unaudited) represents amounts shown in the associate's financial statements prepared in accordance with the IFRSs.

Acacia Health Insurance Limited

	2019	2018
	GH¢	GH¢
Current assets	**33,905,595**	33,436,716
Non-current assets	**5,699,664**	3,831,680
Current liabilities	**20,753,305**	20,788,316
Revenue	**39,667,433**	35,161,389
Profit for the year	**2,371,874**	153,556
Dividends received from associate during the year	**0**	250,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in Acacia Health Insurance.

	2019	2018
Net assets of associate	**16,480,080**	16,478,080
Proportion of interest in Acacia	**25%**	25%
Carrying amount of interest in Acacia	**5,336,369**	4,743,400
Share of profit of associate	**592,969**	38,384
Dividends received from associate during the year	**0**	250,000

16. Other Assets

	2019	2018
Prepayments	**1,171,299**	2,714,742
Sundry assets	**64,763**	64,763
	1,236,062	2,779,505

17. Intangible Assets

	2019	2018
	GH¢	GH¢
Cost		
Balance as at 1 January	**3,394,717**	2,582,817
Additions	**62,266**	811,900
Balance as at 31 December	**3,456,983**	3,394,717
Amortisation		
Balance as at 1 January	**1,227,198**	486,554
Charge for the Year	**724,336**	740,644
Balance as at 31 December	**1,951,534**	1,227,198
Net Book Value	**1,505,449**	2,167,519

Intangible Assets represents computer software

18. Property, Plant and Equipment

Cost	Land and Building GH¢	Office Furn & Fittings GH¢	Motor Vehicles GH¢	Computers GH¢	Office & Equipment GH¢	Work in Progress GH¢	Total GH¢
Balance at 1 January	5,075,000	4,403,117	1,732,593	2,054,431	1,743,967	19,262	15,028,370
Additions	0	240,560	0	95,613	32,079	0	368,252
Revaluation	6,625,000	0	0	0	0	0	6,625,000
Balance at 31 December	**11,700,000**	**4,643,677**	**1,732,593**	**2,150,044**	**1,776,046**	**19,262**	**22,021,622**
Depreciation							
Balance at 1 January	941,684	2,771,400	1,083,977	1,664,883	1,098,172	0	7,560,116
Charge for the year	156,708	644,267	285,546	216,078	274,559	0	1,577,158
Balance at 31 December	**1,098,392**	**3,415,667**	**1,369,523**	**1,880,961**	**1,372,731**	**0**	**9,137,274**
Net Book Value 31/12/19	**10,601,608**	**1,228,010**	**363,070**	**269,083**	**403,315**	**19,262**	**12,884,348**
Net Book Value 31/12/18	4,133,316	1,631,717	648,616	389,548	645,795	19,262	7,468,254

The Office Complex was revalued at an open market value by K. Kyei Consultancy Services Limited in August 2019.

19. Deposits from Banks, SDIs & Other BOG Licensed Fin.

	2019	2018
	GH¢	GH¢
Analysis by type of deposits		
Deposits from Banks	**0**	3,654,439
Deposits from SDIs	**41,691,844**	37,620,510
Deposits from Other BoG licensed Fis	**282,237**	6,870,412
	41,974,081	48,145,361

20. Deposits from Customers

Time deposits	**181,952,666**	224,142,157
Demand deposit	**22,804,605**	45,914,079
	204,757,271	270,056,236

21. Provisions

Balance as at 1 January	**1,313,054**	970,060
(Write off)/Provisions made during the year	**(450,504)**	342,994
Balance as at 31 December	**862,550**	1,313,054

22. Other Liabilities

Sundry Creditors & Accruals	**12,242,485**	6,570,581
	12,242,485	6,570,581

	2019	2018
23. Stated Capital	**Number of Shares**	Number of Shares
Authorised Ordinary Shares of no par value	**10,000,000**	10,000,000
Issued Ordinary Shares of no par value	**3,000,000**	3,000,000
	GH¢	GH¢
Proceeds of issue for cash - Ordinary Shares	**24,734,267**	24,734,267
Issued for consideration other than cash	**4,701,000**	4,701,000
	29,435,267	29,435,267

There is no unpaid liability on any share and there are no shares in treasury.

24. Revaluation Reserve

This represents the revaluation surplus on office complex that was revalued by K . Kyei Consultancy Services Limited in August 2019.

25. Statutory Reserve Fund	**GH¢**	GH¢
Balance as at 1 January	**20,371,935**	18,206,714
Transfer from Income Surplus	**1,170,995**	2,165,221
Balance as at 31 December	**21,542,930**	20,371,935

26. Credit Risk Reserve

This reserve represents excess loan provision as per Bank of Ghana guidelines over IFRS loan impairment.

27. Analysis of Cash and Cash Equivalents	**GH¢**	GH¢
Cash and Bank Balances	**58,272,555**	72,147,954
Due to Banks	**(11,844,191)**	0
	46,428,364	72,147,954

28. Contingent Liabilities

There were no contingent liabilities at the statement of financial position date.(2018:nil)

29. Concentration of Assets and Liabilities

The company's assets and liabilities are held in Ghana. There are no assets and liabilties held outside Ghana.

30. Related Party Transactions

Transactions with Executive Directors and Key Management Personnel

Key management personnel are defined as those person having authority and responsibilty for planning, directing and controlling the activities of the company(directly or indirectly) and comprise the Executive Directors and Officers of the Company

There were no material transactions with companies in which a Director or other members of key management personnel (or any connected person) is related

Remuneration of Executive Directors and other key management personnel

	2019	2018
	GH¢	GH¢
Salaries and other short term benefits	**1,035,553**	1,229,958
	1,035,553	1,229,958

Details of transactions and balances between the Bank and Executive

Directors,other key management personnel and Related parties are as follows:

Loans to officers and other employees	**3,023,918**	3,852,578
Placement with related parties	**6,478,897**	8,416,329

31. Basic Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders	**4,683,979**	8,660,884
Weighted average number of ordinary shares	**3,000,000**	3,000,000
Basic earnings per share (Ghana cedi per share)	**1.56**	2.89

32. Pending Legal Claims

At the year end there were some legal cases pending against the Company. Should judgment go in favour of the plaintiffs,likely claims against the Company have been estimated at GH¢26.14 million .No provisions have been made in the financial statements in respect of these amounts.

33. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Fair values of financial assets and liabilities

(i) Financial instruments not measured at fair value

The table below summaries the carrying amounts and fair values of those financial assets and liabilities not presented on the statement of financial position at their fair values:

	Carrying amount	Carrying amount	**Fair value**	Fair value
	2019	2018	**2019**	2018
	GH¢	GH¢	**GH¢**	GH¢
Financial assets				
Cash and Cash Equivalents	**2,347,178**	3,451,649	**2,347,178**	3,451,649
Due from banks and other financial	**55,925,377**	68,696,305	**55,925,377**	68,696,305
Financial investments	**62,228,865**	73,182,591	**62,228,865**	73,182,591
Loans and advances to customers	**211,080,271**	231,643,866	**211,080,271**	231,643,866
	331,581,691	376,974,411	**331,581,691**	376,974,411
Financial liabilities				
Due to Banks	**11,844,191**	0	**11,844,191**	0
Customer deposits	**246,731,352**	318,201,597	**246,731,352**	318,201,597
Other liabilities	**12,242,485**	6,570,581	**12,242,485**	6,570,581
	270,818,028	324,772,178	**270,818,028**	324,772,178

Loans and advances to other financial institutions

Loans and advances to other financial institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

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

Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of approximates their fair value.

33. Fair value of financial instruments(continued)

Managed funds and other borrowed funds

The aggregate fair values are calculated based on a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

Fair value hierarchy

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

• 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, The Ghana Stock Exchange).

• 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). This level includes the majority of Bank of Ghana's securities and other derivative contracts.

• 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. As at 31 December 2016, the Company did not hold any level 3 financial assets and/or liabilities.

34. Financial risk management

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, liquidity risk, interest rate risk and market risk. It is also subject to various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

34. Financial risk management(Continued)

Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (CC), Risk Management Department, Asset and Liability (ALCO), which are responsible for developing and monitoring company risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk measurement and reporting systems

The company's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the actual loss. These models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The company also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept. In addition the company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information and data on risk measures across the business are generated periodically and processed in order to analyse, control and identify early risks. This information is made available to the Board, as well to the key management risk control functions of the company. The reports include aggregate credit exposure analysed into industry and customer as well as liquidity ratios.

34. Financial risk management(Continued)

Credit risk management

Credit risk is the risk that the company will incur a loss because its customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk is the company's largest risk and considerable resources, expertise and controls are devoted to managing it.

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring such limits. The Board sub-committee reviews the quality of the Credit Book, past due credits and all new credits approved by the Credit Committee. In all cases, the Board reviews at its meetings all extensions of credit that are in place.

Analysis by credit grade of loans and advances	**2019** **GH¢**	2018 GH¢
Impaired loans		
Individually impaired	**43,553,971**	43,553,971
Allowance for impairment	**(4,825,146)**	(4,825,146)
Impaired loans, net of individual provisions	**38,728,825**	38,728,825
Loans past due but not impaired		
Past due up to 91-180 days	**23,259,379**	37,987,938
Past due up to 181-360 days	**90,381**	49,698,584
Above 360 days	**12,647,736**	17,978,983
	35,997,495	105,665,505
Loans neither past due nor impaired	**133,275,248**	152,082,167
Less: Specific impairment	**13,623,066**	25,975,039
Less: Collective impairment Provision	**3,184,671**	0
Total net loans	**150,082,985**	178,057,206

34. Financial risk management(Continued)

Level of provision required

a. Current	**1%**	1%
b. Substandard	**20%**	20%
c. Doubtful	**50%**	50%
d. Loss	**100%**	100%

Types of credit risk assets

Credit facilities extended to customers may be short term (up to one year) medium term (one to three years) or long term (over three years) in tenor. Additionally, facilities may be of a direct or indirect nature. They may be contractual (where the borrower has the contractual right to draw) or advised (where the company can cancel the credit at its discretion).

Direct facilities are those where the company actually disburses funds to a borrower, in the form of a loan or other advance, or creates an arrangement whereby the customer may himself draw funds on credit at his volition up to an agreed limit. Such direct facilities include:

- Demand Loans
- Term Loans
- Bill discounting
- Advances under Letters of Credit
- Acceptances, Guarantees and Indemnities etc.

Indirect (or contingent) obligations are created when the company enters into a contractual obligation to pay a third party at a future date, or upon the occurrence of a certain event, against the indemnity of a customer (who is the direct obligor). Such indirect facilities include:

- Opening and/or confirmation of letters of credit
- Issuance of guarantees and indemnities (e.g. to customs, immigration)
- Issuance of bid/performance/advance payment bonds
- Issuance of standby letters of credits.

This can also consist of operational risk such as non delivery, facilities for FX and other dealing lines.

Target market and risk asset selection

The target market and risk asset selection is a continuous process which involves a screening of the entire market, identifying business potential, defining desirable opportunities and adhering to resultant marketing objectives and strategies. An unfocused approach to the market can lead to unplanned asset concentrations of uneven quality on the books, and it may not be possible for the company to easily work out from undesirable relationships even when such a decision has been made.

The company undertakes a screening of the market and economic sectors to identify key players and potential business for the company. This is followed by a short listing of the desirable industries. This list should be supported by a justification as to why only some industries were selected, and why the company will not deal with some others.

Industry studies are also carried out on each of the selected industries. This exercise enables the company to understand the importance of each sector to the economy, Gross Domestic Product percentage share, and key players in the industry, business cycles and product mix. The information derived above guides the company in identifying critical success factors and quantitative/qualitative acceptance parameters by industry.

• A consistent approach to risk assessment and monitoring applied throughout the Group.

34. Financial risk management(Continued)

Workable and appropriate Risk Asset Acceptance Criteria (RAAC) have been developed for each industry, taking into account both quantitative as well as qualitative parameters identified above. Example of these include, net sales, net income, years in business, market reputation, management quality, minimum lending, among others.

Differing financing needs for the different industries often make it necessary to identify the credit products mostly required by each industry. Such products should be supported by a product RAAC which evidences that tenor, documentation requirements and approval process are consistent with the associated transaction risks and that transaction flows are understood and documented.

Credit Application (CA) Process

Prior to extension of any credit facility, whether direct or contingent, it must be recommended and approved by means of a CA. Such CA will incorporate analysis and evaluation of all risk inherent in the transaction. These reviews are both quantitative, i.e. balance sheet spreading, cash flow analysis as well as subjective, nature of the business, quality of management, suitability of loan to business.

Credit approval authority is delegated to Management by the Board of Directors of Company. Any extension of credit exceeding authority delegated is subject to approval by a Sub-committee of the Board, following recommendation to the Board by Management.

Authority for approval of credit within limits is delegated by the Board of Directors. There is a Credit Sub Committee of the Board that may exercise the authority of the Board pending full sittings of the Board. The Credit Sub-Committee comprises a minimum of two Ghanaian resident non-executive directors of the Board.

The Board may delegate authority down the line to an in-house Credit Committee (CC) who may in turn delegate authority (but not the ultimate responsibility) to the Head of Credit Risk Management and/or to other Credit Officers as may be required under the policy approved by the Board. All decisions of the Credit Sub-Committee must be unanimous.

All Credit granted by the company are subject to the laws and regulations contained in the Banking Act 2004. No single party facility shall exceed 25% of the net worth of the company on secured basis or 10% of net worth on unsecured basis. No unsecured facilities to directors are permitted without the approval of the Bank of Ghana.

Loans and advances to customers in Ghana analysed by industry sector, as well as by customer type is shown in note 17(b) & 17(c) above.

Fair value of collateral held

The company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

34. Financial risk management(Continued)

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2019	2018
	GH¢	GH¢
Against impaired assets	**8,854,269**	8,253,659
Against past due but not impaired assets	**435,698,850**	421,522,840
	444,553,119	429,776,499

There were no collateral securities repossessed during the period.

Maximum credit exposure

At 31 December 2018, the maximum credit risk exposure of the Compnay in the event of other parties failing to perform their obligations is detailed below. No account has been taken of any collateral held and the maximum exposure to loss is considered to be the instruments' statement of financial position carrying amount or, from non-derivative off-statement of financial position transactions, their contractual nominal amounts.

	2019	2018
	GH¢	GH¢
Due from banks and other financial institutions	**55,925,377**	68,696,305
Financial investments	**62,228,865**	73,182,591
Loans and advances to customers	**211,080,271**	231,643,866
	329,234,513	373,522,762

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Liquidity risk management

Liquidity risk is defined as the likely event of a negative impact on the value or volume of liquid assets as a result of changes in any of the following variables that impact on liquidity: interest and exchange rates, inflation, customer actions, changing economic conditions and the action(s) of competitors.

34. Financial risk management(Continued)

To limit this risk, management adopts a number of measures including monitoring the day-to-day funding requirements to ensure that future cash flows can be met. This requires that the company maintains an active presence in the local money markets to enable that to happen. The company also maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

Liquidity risk measurement

The company prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the company to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing; defined to include all liabilities taken from customers that are in excess of GH¢1 billion per client. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralized with a Treasury Bill or Bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. To manage the impact of deposit concentration on liquidity, wholesale borrowings from individual clients does not exceed 25% of total customer liabilities. Also, the recommended ratio of the top 20 deposits to total liabilities is 15% or less. The implication of these ratios is the need to diversify the mix of deposits such that the action of one group is unable to significantly affect the company's deposit base especially in a negative manner. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

The loan/borrowing ratio measures the amount of advances as a percentage of borrowings and is used to monitor the availability of funds for additional credits out of borrowings. All approved loans that are yet to be disbursed are captured as part of the loan borrowings ratio, to ensure that the true position of available funds is reported at any one time. Two loan/borrowings ratios are reported using only facilities that have been disbursed for one report and another ratio using both disbursed and un-disbursed facilities.

In addition to the above, the company also ensures compliance to the regulatory requirements set by the Bank of Ghana such as effective volatile liability dependency ratio which is measured as (volatile funds – liquid assets)/long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. The company targets a negative ratio to be in compliance with BoG. (Volatile funds is short term wholesale funds e. g call accounts).

	Total GH¢	Below 3 months GH¢	3 to 6 months GH¢	6 to 12 months GH¢	Above 1 year GH¢
Cash in hand	**2,347,178**	2,347,178	0	0	0
Due from other banks & financial	**44,081,186**	30,856,830	11,020,297	2,204,059	0
Financial investments	**62,228,865**	16,896,339	16,270,822	14,868,779	14,192,925
Loans and advances to customers	**211,080,271**	31,662,040	37,994,449	52,770,068	88,653,714
Investment in unquoted company	**5,336,369**	0	0	0	5,336,369
Other assets (excluding prepayment)	**64,763**	64,763	0	0	0
Total assets	**325,138,632**	81,827,150	65,285,568	69,842,906	108,183,008

34. Financial risk management - (continued)

Liabilities	Total GH¢	Below 3 months GH¢	3 to 6 months GH¢	6 to 12 months GH¢	Above 1 year GH¢
Due to Banks	**11,844,191**	0	11,844,191	0	0
Customer Deposits	**246,731,352**	95,639,600	78,021,779	50,336,633	22,733,340
Other Liabilities	**20,861,318**	2,520,843	3,635,556	6,302,108	8,402,811
Total Liabilities	**279,436,861**	98,160,443	93,501,526	56,638,741	31,136,151
Net Liquidity Gap	**45,701,771**	**(16,333,293)**	**(28,215,958)**	**13,204,165**	**77,046,857**

Liquidity Crisis Management

Liquidity crisis is defined as a condition where the company is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the company resulting in substantial withdrawal of funds by investors.

This is deemed to have occurred when any of the following conditions exist:

- Liquidity guidelines/ratios have been breached for four consecutive weeks.
- BoG support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

Market risk management

Market risks arise from interest rate products and open positions in currency, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate mismatch report in addition to interest rate sensitivity reports using different rates are produced for ALCO meetings as part of the process of managing interest rate risk. Different interest rate sensitivity scenarios, 1 to 5 percent changes, are produced for review at each ALCO. The review is guided by profitability, liquidity needs (projections) and interest rate risk.

34. Financial risk management - (continued)

Interest Rate Risk Exposure

Interest rate risk exposure is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the financial assets and liabilities with variable/floating interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variable held constant, of the company's profit before tax (through the impact on the floating rate financial assets and liabilities).

As at 31 December 2019	**300 b p Increase**	**300 b p Decrease**
Interest income impact	**9,055,952**	**(9,055,952)**
Interest expense Impact	**(6,559,550)**	**6,559,550**
Net impact on Profit and Equity	**2,496,402**	**(2,496,402)**
As at 31 December 2018		
Interest income impact	8,114,534	(8,114,534)
Interest expense Impact	(6,724,265)	6,724,265
Net impact on Profit and Equity	1,390,269	(1,390,269)

Market risk

Market risk is the risk of losses being incurred as a result of adverse movements in interest or exchange rates and arises in the company's treasury activities.

Market risk is controlled by interest mismatch and foreign currency open position limits approved by the Executive Committee of the company and monitored daily. The foreign currency exposure analysis of the company is shown in the currency exposure table below.

This risk is managed by the establishment of limits, monitoring of exposures on a daily basis and ensuring that regulatory requirements are met.

Capital management

The company’s objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Ghana, (ii) to safeguard the company’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximize shareholder value. Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Company’s Finance Director.

Regulatory capital as defined by the Bank of Ghana has two (2) components;

Tier 1 capital: share capital arising on permanent shareholders’ equity, retained earnings and reserves created; and

34. Financial risk management - (continued)

Capital management- continued

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
- 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 I 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 counterparty.

The primary objectives of the company's capital management are to ensure that the company complies with externally imposed capital requirement by company of Ghana and that the company maintains strong credit rating and healthy capital ratios in order to support its business and to maximise shareholders value. The company manages its capital structure and makes adjustment to it in the light of changes in the economic conditions and risk characteristics of its activities. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

a Capital Definition

The company's capital comprises stated capital, retained earnings including current year profit and various reserves the company is statutorily required to maintain. As a company, it also has regulatory capital as defined below:

b Stated Capital

This amount is made up of issue of shares for cash and transfers from retained earnings.

c Income Surplus

This amount represents the cumulative annual profits after appropriations available for distribution to shareholders.

d Capital Surplus

This amount comprises revaluation of property, plant and equipment.

e Statutory Reserve

This is amount set aside from annual profit as a non-distributable reserve in accordance with regulatory requirements.The transfer to Statutory Reserve Fund is in compliance with Section 24 of the Banks and Specialised Deposit Taking Institutions Act 930 , 2016.

f Regulatory Credit Reserve

This is amount set aside from retained earnings as a non-distributable reserve to meet minimum regulatory requirements in respect of allowance for credit losses for non-performing loans and advances.

35. Capital adequacy

The capital adequacy of the company is monitored using, among other measures, the rules and ratios established by the Basel Committee adopted by the Banking Supervision Department of the Bank of Ghana. The capital adequacy ratio of the company as of 31 December 2019 is shown below:

Tier 1 Capital	**2019**	2018
	GH¢	GH¢
Stated capital	**29,435,267**	29,435,267
Disclosed Reserves	**11,495,664**	3,067,259
Revaluation Reserves	**6,625,000**	0
Less: Other assets/Intangibles & others	**(2,676,748)**	(4,882,261)
Total Regulatory Capital	**44,879,183**	27,620,265
Total Assets	**361,083,853**	401,202,940
Less:		
Cash on hand	**2,347,178**	3,451,649
Claims on other banks	**94,523,394**	101,748,110
50% of export financing loans	**0**	52,286,752
80% of loans guaranteed by Government	**0**	22,800,261
Other assets/Intangibles & others	**2,676,748**	4,882,261
Adjusted Total Assets	**261,536,533**	216,033,907
Add:		
100% of 3 years Average Annual Gross Income	**43,509,072**	32,833,505
Adjusted Asset Base	**305,045,604**	248,867,412
Capital adequacy ratio	**14.71**	11.10

36. Valued Added Statement

	2019 GH¢	2018 GH¢
Interest earned and other operating income	**96,117,237**	130,018,910
Interest Expense	**(61,215,657)**	(87,489,837)
Value added by banking services	**34,901,580**	42,529,073
Other Income	**1,579,149**	1,928,482
Net Commission and Fees	**1,511,338**	2,484,769
Impairment on Financial assets	**(6,781,082)**	(10,773,365)
Share of profit in associate	**592,969**	38,384
Value added	**31,803,954**	36,207,343
Distributed as follows		
To employees:		
Executive & Non-executive directors	**45,970**	233,241
Other employees	**10,680,924**	7,745,403
	10,726,894	7,978,644
To Government:		
Income tax	**(2,314,617)**	219,615
To shareholders:		
Dividends to shareholders	**0**	0
To expansion and growth:		
Depreciation and amortisation	**2,301,494**	2,454,554
Other operating expenses	**11,776,970**	16,893,646
	14,078,464	19,348,200
To retained earnings	**4,683,979**	8,660,884

37. Events after the reporting date

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The spread of this virus has caused business disruption in Ghana, including partial lockdown and the closure of the majority of businesses in Accra and Kumasi. While the business disruption is currently expected to be temporary, there is uncertainty around the duration of these disruptions or the possibility of other effects on the business.
As at the date of the signing of the financial statements, it is not possible to reliably estimate the financial effect, if any, of the virus on the Company's operations. The Directors will continue to monitor the impact COVID-19 has on it and reflect the consequences as appropriate in the accounting and reporting during the course of 2020.

BOND SAVINGS AND LOANS LIMITED

SCHEDULE TO OPERATING EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 GH¢	2018 GH¢
Staff Cost		
Salaries and Wages	**5,596,010**	4,853,969
Social Security Cost	**721,584**	624,634
Other Staff Cost	**4,320,859**	1,841,327
Staff Training	**42,471**	425,473
	10,680,924	7,745,403
Occupancy		
Rent & Rates	**1,356,350**	1,119,264
Water, Electricity & Conservancy	**423,044**	1,020,597
	1,779,394	2,139,861
General and Administrative Expenses		
Security Services	**703,448**	948,076
Communication expenses	**360,282**	437,487
Marketing, Advertising & Promotion	**3,991,604**	8,479,756
Professional & Legal Fees	**318,938**	724,459
Fuel Cost	**1,807,992**	1,524,595
Other Operating Cost	**2,775,312**	2,499,912
	9,957,576	14,614,285