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VisionFund **GHANA**

VISIONFUND GHANA MICRO CREDIT LIMITED

*ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022*

**VISIONFUND GHANA MICRO CREDIT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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VISIONFUND GHANA MICRO CREDIT LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Kwabena Adu Kusi	Chairperson
	Mr. Dickens Thunde	Member
	Mr. Kofi Akodwaa-Boadi	Member
	Mr. Duke Lartey	Member
	Mr. David Kombanie	Member
	Mr. Jonas Sowah Quaye	Member
	Ms. Nana Afua Okoh	Member
Mr. Frank Alornu	Member /CEO	

SECRETARY Mrs.Regina Amegah
VisionFund Ghana Micro Credit Limited

REGISTERED OFFICE A14 Nii Ashaia Laryea Street. GD-010-
8777 . Adenta

AUDITOR PKF
Accountant and Business Advisers
Farrar Avenue
P.O.Box 1219
Accra

BANKERS Absa Bank Ghana Plc
ADB Bank Plc
Bank of Africa Ghana Plc
GCB Bank Plc
Stanbic Bank Ghana Plc
Standard Chartered Bank Plc

VISIONFUND GHANA MICRO CREDIT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with the requirements of Section 136 of the Companies Act, 2019 (Act 992) and the Non-Banks Financial Institutions Act, 2008 (Act 774), we the Board of Directors of VisionFund Ghana Micro Credit Limited, do herewith submit our annual report on the state of affairs of the Company for the year ended 31 December 2022.

Directors' Responsibility Statement

The Directors are responsible for the preparation of financial statements that give a true and fair view of VisionFund Ghana Micro Credit Limited, comprising the statements of financial position at 31 December 2022, and the statements of profit or loss, changes in equity and cash flows for the period 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 Non- Banks Financial Institutions Act, 2008 (Act 774). 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 concern and have no reason to believe that the business will not be going concern 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.

Holding Company

"The company is 90% owned by VisionFund International (VFI), a non-profit religious corporation as described in the California non-profit Corporation Law (the "Law"). VFI is the parent company of a network of 28 microfinance institutions operating in Africa, Asia, Latin America, and Eastern Europe.

The Company is 10% owned by World Vision Ghana (WVG), a non-profit religious and non-governmental organisation registered in Ghana, as a relief, development and advocacy organisation to help children, families and communities overcome poverty and injustice."

VISIONFUND GHANA MICRO CREDIT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Statements

The financial results of the Company for the years ended 31 December 2022 and 31 December 2021 are set out in the financial statements, highlights of which are as follows:

	2022	2021
	GH¢	GH¢
Profit / (Loss) before tax	3,826,448	2,229,326
Profit / (Loss) After tax	3,285,736	1,046,796
Total assets	80,883,043	64,573,019
Total liabilities	47,280,306	44,078,640
Total equity	33,602,737	20,494,379

Nature of Business

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

Particulars of entries in the Interests Register during the financial year

No Director had any interest in contracts and proposed contracts with the Company during the year under review, hence there were no entries recorded in the Interests Register as required by 194(6),195(1)(a) and 196 of the Companies Act 2019, (Act 992).

Corporate Social Responsibility and Code of Ethics

The Company has not engaged in any active social responsibility during the period under review.

Capacity building of directors to discharge their duties

In relation to capacity building of Directors, Directors were trained on their duties and responsibilities as contained in the new companies act, Act 992. A training programme on transitioning to savings and loans was also organised for Directors and Senior Management in June 2022. The training was facilitated by the Bank of Ghana.

Auditors and Audit Fees

In accordance with Section 139(5) of the Companies Act, 2019 (Act 992), subject to VFG Board approval, PKF will remain in office as auditors for the Company. As at 31 December 2022, the amount payable in respect of audit fees was GH¢59,625 (2021: GH¢50,085)

VISIONFUND GHANA MICRO CREDIT LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

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.


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 VisionFund Ghana Micro Credit Limited, was approved by the Board of Directors on 26th April 2023 and signed on their behalf by

Director 

Director 

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
VISIONFUND GHANA MICRO CREDIT LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of VisionFund Ghana Micro Credit Limited which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, 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, the financial statements give a true and fair view of the financial position of VisionFund Ghana Micro Credit Limited as at December 31, 2022, 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 Non-Bank Financial Institutions Act, 2008 (Act 774)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the international 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
The Company's impairment loss on loans and advances was GH¢5.3 million as at 31 December 2022.	Our audit approach focused on evaluating the appropriateness of the accounting polices based on the requirements of IFRS 9,

There is an inherent risk relating to impairment loss on loans and advances due to the significant measurement uncertainty and the estimates that involve subjective judgement that are difficult to corroborate.

Given the inherent subjectivity and judgment involved in estimating the impairment allowance and the material nature of the balance, we considered the impairment of loans and advance to be a key audit matter in our audit of the financial statements.

our business understanding and industry practice.

We obtained an understanding of management's process and the controls implemented in computation of impairment on loans and advances.

We evaluated the reasonableness of management's key judgements and estimates made in adopting IFRS 9, including selection of methods, models, assumptions and data sources to conclude on reasonableness.

We performed ageing of outstanding loan balances as at 31 December 2022 to assess if loan balances have been categorised in the right ageing bracket.

We assessed whether cash collaterals on outstanding balances have been adequately considered in the determination of impairment.

We reviewed the related disclosures and assessed its consistency with relevant standards.

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 give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) the Non-Bank Financial Institutions Act, 2008 (Act 774) and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 Non-Bank Financial Institutions Act, 2008 (Act 774) 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 VisionFund Ghana Micro Credit Limited, so far as appears from our examination of those books.
- iii) The statement of financial position and statement of comprehensive income 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, 2021 (Act 1044) and 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.

The engagement partner on the audit resulting in this independent auditor's report is Albert Addo Cofie (ICAG/P/1403).



FOR AND ON BEHALF OF PKF (ICAG/F/2023/039)

CHARTERED ACCOUNTANTS

FARRAR AVENUE

ACCRA

26th April.....2023

VISIONFUND GHANA MICRO CREDIT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022


	Note	2022 GH¢	Restated 2021 GH¢
Interest Income	7	40,447,218	34,303,030
Interest Expense	21(aiii)	(2,922,197)	(8,220,813)
Net Interest Income		<u>37,525,021</u>	<u>26,082,217</u>
Fee and commission income	8	<u>1,014,736</u>	<u>948,752</u>
Revenue		38,539,757	27,030,969
Impairment charge on loans and advances	16 (b)	(2,502,868)	(1,525,583)
Impairment release/(charge) on investment securities	17 (b)	50,266	(476,559)
Net exchange gain/ (loss)	9	(1,633,151)	(130,161)
Other income	10	805,046	819,890
Personnel expenses	11	(17,732,109)	(13,462,620)
Depreciation	14	(1,147,976)	(751,051)
Amortisation	15	(5,867)	(7,008)
Interest expense on lease liability	24(ii)	(143,386)	(121,358)
Other administrative expenses	12	<u>(12,403,264)</u>	<u>(9,147,193)</u>
Profit before Tax		3,826,448	2,229,326
National fiscal stabilisation levy		(191,322)	(111,466)
Income tax expense /(credit)	13(a)	<u>(349,390)</u>	<u>(1,071,064)</u>
Profit for the year		<u>3,285,736</u>	<u>1,046,796</u>
Total comprehensive income for the year		<u><u>3,285,736</u></u>	<u><u>1,046,796</u></u>

VISIONFUND GHANA MICRO CREDIT LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022


	Note	2022 GH¢	Restated 2021 GH¢
ASSETS			
Deferred income tax assets	13(e)	2,732,600	1,249,242
Property and equipment	14	4,451,428	2,600,177
Intangible assets	15	5,515	11,382
Loans and advances	16(a)	53,583,546	44,139,157
Investment securities	17(a)	9,544,110	-
Other receivables	18	1,465,895	429,664
Due from related party	25(e)	11,443	-
Current income tax assets	13(c)	868,942	263,865
National fiscal stabilisation levy	13(d)	273,842	78,418
Cash and bank balances	19	7,945,721	15,801,113
Total Assets		<u><u>80,883,043</u></u>	<u><u>64,573,019</u></u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	20(a)	17,886,439	7,758,037
Deposit for shares	20(c)	14,582,874	14,888,654
Retained earnings		1,133,424	(2,152,312)
Total equity		<u><u>33,602,737</u></u>	<u><u>20,494,379</u></u>
Liabilities			
Lease liabilities	24(v)	831,961	889,697
Loans and borrowings	21	24,039,431	23,241,523
Collateral deposits	22	15,580,777	12,653,906
Due to related party	25(d)	158,254	2,239,322
Other payables and accruals	23	6,669,883	5,054,192
Total liabilities		<u><u>47,280,306</u></u>	<u><u>44,078,640</u></u>
Total equity and liabilities		<u><u>80,883,043</u></u>	<u><u>64,573,019</u></u>

These financial statements were approved by the Board of Directors on 26th April,... 2023 and are signed on its behalf by:

Name of Director: Kwabena Adu Kusi

Signature: 

Name of Director: Nana Afua Okoh

Signature: 

VISIONFUND GHANA MICRO CREDIT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Stated Capital GH¢	Deposit for shares GH¢	Retained earnings GH¢	Total Equity GH¢
Balance at 1 January 2022		7,758,037	14,888,654	(2,152,312)	20,494,379
<i>Total comprehensive income</i>		-	-	3,285,736	3,285,736
Profit for the year		-	-	3,285,736	3,285,736
<i>Total comprehensive income</i>		-	-	-	-
<i>Transactions with owners of the company</i>					
Deposit for shares - Conversion of loan to equity		-	6,347,090	-	6,347,090
Deposit for shares - Cash		-	3,475,530	-	3,475,530
Issuance of Shares		10,128,402	-	-	10,128,402
Transfer to Stated Capital		(10,128,402)	(10,128,402)	-	(10,128,402)
Total transactions with owners		10,128,402	(305,782)	-	9,822,620
Balance at 31 December 2022		17,886,439	14,582,872	1,133,424	33,602,735
Restated					
Balance at 1 January 2021		7,758,037	6,939,630	(3,199,108)	11,498,559
Profit for the year	30	-	-	1,046,796	1,046,796
Total comprehensive income		-	-	(2,152,312)	(2,152,312)
<i>Transactions with owners of the company</i>					
Deposit for shares - Conversion of loan to equity		-	7,949,024	-	7,949,024
Total transactions with owners		-	7,949,024	-	7,949,024
Balance at 31 December 2021		7,758,037	14,888,654	(2,152,312)	20,494,379

VISIONFUND GHANA MICRO CREDIT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 GH¢	Restated 2021 GH¢
Cash flow from operating activities			
Profit before tax		3,826,448	2,229,326
<i>Adjustments for:</i>			
Depreciation	14	1,147,976	751,051
Amortisation	15	5,867	7,008
Profit on disposal		(21,700)	-
De-recognition of right-of-use assets	14	15,957	-
Interest income on investment securities	7	-	467,418
Interest expense on related party loan	21(aii)	2,598,293	-
Interest expense on lease liabilities	24(ii)	143,736	121,358
Effect of movements in exchange rates on cash held		-	(15,354)
Loan Write-offs	16(b)	612,230	-
Impairment charge on loans and advances	16(b)	2,502,868	1,525,583
Impairment (release)/charge on investment securities	17(b)	(50,266)	476,559
		<u>10,781,408</u>	<u>5,562,949</u>
<i>Changes in:</i>			
Loans and advances to customers	16(a)	(11,335,027)	(12,752,983)
Other receivables	18	(1,036,231)	(535,831)
Due from related party	25(e)	(11,443)	112,000
Other payables and accruals	23	1,776,016	(1,095,332)
Due to related party	25(d)	(2,081,068)	579,335
Collateral deposits	22	2,926,871	3,278,490
		<u>1,020,526</u>	<u>(4,851,372)</u>
National fiscal stabilisation levy paid	13(d)	(386,746)	(104,328)
Income tax paid	13(c)	(2,437,825)	-
Interest paid on lease liabilities	24(v)	(143,736)	(121,358)
Net cash generated from operating activities		<u>(1,947,781)</u>	<u>(5,077,058)</u>
Cash flows from investing activities			
Purchases of property and equipment	14	(2,730,542)	(935,193)
Additions to right-of-use assets	14	(297,628)	(80,630)
Proceed from sale of asset		21,700	-
Purchase of investment securities		(9,544,110)	5,181,480
Proceed from matured investment securities		50,266	(476,559)
Interest received on investment securities		1,631,339	648,898
Net cash generated from/(used in) investing activities		<u>(10,868,975)</u>	<u>4,337,996</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 GH¢	Restated 2021 GH¢
Cash flows from financing activities			
Proceeds from deposit for shares	20(c)	(305,780)	7,949,024
Issuance of shares		10,128,402	-
Proceeds from borrowings from BOA	21	455,638	-
Proceeds from borrowings from VFI	21(aii)	6,225,000	-
Interest paid on related party loan	21(aii)	(1,940,050)	-
Principal lease repayments	24(v)	(57,736)	(36,888)
Net cash used in financing activities		<u>14,505,474</u>	<u>7,912,136</u>
Net increase in cash and cash equivalents		1,688,718	7,173,074
Effect of movements in exchange rates on cash held		-	15,354
Cash and cash equivalents at beginning of year	19	<u>15,801,113</u>	<u>8,612,685</u>
Cash and cash equivalents at end of year	19	<u>17,489,831</u>	<u>15,801,113</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 REPORTING ENTITY

VisionFund Ghana Micro Credit Limited is a micro finance institution (MFI) that was incorporated on 29 January 2013 by VisionFund International and World Vision Ghana (WVG) and granted the certificate to commence business by the Registrar of Companies on 30 January 2013.

The Licence to operate a Non-Bank Financial Institution was granted by the Bank of Ghana on 25 July 2015. The company is domiciled in Ghana and its registered address is Nii Ashaia Laryea ST(GD-010-8777) Adenta Accra. These financial statements comprise the individual financial statements of the company.

2 Basis of Preparation

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard. The financial report contains a complete set of financial statements for the period and is in full compliance with International Financial Reporting Standards (IFRS). Additional information required under the Companies Act, 2019 (Act 992) and the Non-Banks Financial Institution Act, 2008 (Act 774) have been included, where appropriate.

b. Basis of measurement

The financial statements 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.

c. 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.

d. Functional & presentation currency

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

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

e. Use of estimates and judgement

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

i. Deferred Tax Assets and Liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

ii. Useful Life of Property, Plant and Equipment

The Company reviews the estimated useful life of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of the assets should remain the same.

iii. Fair Value Measurement and Valuation Process

In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent that it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation.

3 Summary of Significant Accounting Policies

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

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

a. Revenue Recognition

In the financial statements of the company, interest income and expenses on financial assets and liabilities held at amortised cost, are recognised in the statement of comprehensive income using the effective interest method.

Gains and losses arising from changes in the fair value of financial assets and liabilities held at their value through profit or loss, as well as any interest receivable or payable, is included in the statement of profit and loss and other comprehensive income in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains or losses from monetary items are recognised directly in equity until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of profit and loss and other comprehensive income.

i. Interest Income and Expenses

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (as, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial assets and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental cost that are directly attributable to the acquisition, issue or disposal of a financial asset and liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

ii. Commissions and fees

Fees and commission income and expenses that are integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate. Such fees and commission are part of interest income.

Other fees and commission income including account servicing fees, sales commission and arrangement fees are recognised as the related services are performed.

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the service are received.

iii. Other Operating Income

Other operating income comprises other income including sale of fixed assets and foreign exchange differences.

iv. Dividend

Dividend income is recognized where the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net of other financial instruments at fair value or other operating income and based on the underlying classification of the equity instrument.

b. Foreign Currency

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the statement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of profit and loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The resulting gains or losses are recognized in the statement of profit and loss and other comprehensive income.

c. Leases

Finance Lease

When assets are leased under a finance lease, the present value of the lease payments are recognised to receivable. The differences between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease using the net investment method which reflects a constant periodic rate of return.

Operating Leases

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful life on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis.

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i) Classification

Leases that the company assumes substantially all the risks and rewards of ownership of the underlying assets are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are classified as operating leases.

ii) Lease Payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance charge and as reduction of the outstanding lease liability. The finance charge is allocated to such period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

d. Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with financial institutions and highly liquid financial assets with maturities less than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

e. 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.

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

Office equipment	33.33%
Furniture and Fittings	12.5%
Computer equipment	33.33%
Motor Vehicles	20.00%
Right of use	3 to 8 years

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.

f. Intangible Assets

Software

Software acquired by the company is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years.

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g. Taxation

i) 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.

ii) 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.

iii) Value Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT except:

1. 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
2. receivables and payables are stated with the amount of value added tax included.

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h. Borrowings

Borrowings from financial institutions are the company's main source of debt funding. They are categorised as other financial liabilities carried in the statement of financial position at amortised cost. Borrowing are initially measured at their amortised cost using the effective interest method, except where the company chooses to carry the liabilities at fair value through profit or loss.

i. Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

A provision for restructuring is recognised when the company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.

j. 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 Bank'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.

Provision for employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the year end.

VISIONFUND GHANA MICRO CREDIT LIMITED
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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.

k. Impairment of non-financial Assets

The carrying amount of the company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the institution.
- The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

VISIONFUND GHANA MICRO CREDIT LIMITED
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The institution measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For complex instruments such as swaps, the Bank uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may be derived from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position statement of financial position.

m. Other Assets

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

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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.

n. Trade and Other Payables

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

o. Offsetting

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

p. 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.

q. 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.

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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r. 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 2022, and have not been applied in preparing these financial statements. These are disclosed as follows:

Amendment to IAS 1: Classification of Liabilities as Current or Non- Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debts and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment is effective for periods beginning 1 January 2022 with possible deferral to 1 January 2023.

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

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendment is effective for periods beginning 1 January 2022.

Annual Improvements to IFRS Standards 2018–2020.

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent. If a subsidiary adopts IFRS Standards later than its parent and applies, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.

IFRS 9 Financial Instruments

This amendment clarifies that for the purpose of performing the "10 per cent test" for de-recognition of financial liabilities, in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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IFRS 16 Leases

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

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

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT

The Company has exposure to but not limited to the following risk arising from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk (includes currency, interest rate and other price risk)
- Operational Risk

Risk management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee, and Risk Committee of the Board is responsible for developing and monitoring the Company's risk management policies over specified areas.

The Company's risk management policies are established to identify and analyse risks faced by the Company, set appropriate risks limits and controls and monitor risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training and setting of standards and procedures, the Company has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations.

The Company's Audit Committee, and Risk Committee of the Board is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Company.

b Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other financial institutions and investment securities. For risk management reporting purposes, the Company considers all elements of credit risk exposure.

Management of credit risk

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and borrower are approved by the Board of Directors. Actual exposures against limits are monitored daily.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of cash collateral for funds advances, which is common practice.

VISIONFUND GHANA MICRO CREDIT LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (cont'd)

i Analysis of Credit Quality

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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

Maximum Exposure to Credit Risk

	2022 GH¢	2021 GH¢
Investment securities	9,544,110	-
Loans and advances	53,583,546	44,139,157
Bank balances	7,945,721	15,801,113
Other receivables *	29,792	16,993
	<u>71,103,169</u>	<u>59,957,263</u>

** This balance excludes prepayments and advance payments

Investment securities

	2022			
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
Grade 1-3: Low-fair risk	9,000,000	-	-	9,000,000
Grade 4-5: Watchlist	-	-	2,949,690	2,949,690
Loss allowance	-	-	(2,949,690)	(2,949,690)
	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>9,000,000</u>

Loans and advances

	2022			
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
Grade 1-3: Low-fair Risk	54,873,580	-	-	54,873,580
Grade 4-5: Watch list	-	967,524	-	967,524
Grade 6: Sub-Standard	-	-	295,852	295,852
Grade 7: Doubtful	-	-	211,576	211,576
Grade 8: Loss	-	-	1,504,853	1,504,853
Total Gross Amount	54,873,580	967,524	2,012,281	57,853,385
Allowance for Impairment	(5,341,669)	-	-	(5,341,669)
Net Carrying Amount	<u>49,531,911</u>	<u>967,524</u>	<u>2,012,281</u>	<u>52,511,716</u>

	2021			
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
Grade 1-3: Low-fair risk	-	-	-	-
Grade 4-5: Watchlist	-	-	2,999,956	2,999,956
Loss allowance	-	-	(2,999,956)	(2,999,956)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (cont'd)

Maximum Exposure to Credit Risk

Loans and advances (cont'd)

	2022			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Current	54,873,580	-	-	54,873,580
Overdue < 90days	-	967,524	-	967,524
Overdue > 90days	-	-	2,012,281	2,012,281
Loss allowance	(3,408,506)	(77,801)	(1,855,362)	(5,341,669)
	<u>51,465,074</u>	<u>889,723</u>	<u>156,919</u>	<u>52,511,716</u>

	2021			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Grade 1-3: Low-fair Risk	44,662,660	-	-	44,662,660
Grade 4-5: Watch list	-	403,272	-	403,272
Grade 6: Sub-Standard	-	-	285,328	285,328
Grade 7: Doubtful	-	-	713,624	713,624
Grade 8: Loss	-	-	1,525,304	1,525,304
Total Gross Amount	44,662,660	403,272	2,524,256	47,590,188
Allowance for Impairment	(2,153,595)	(41,829)	(1,255,607)	(3,451,031)
Net Carrying Amount	<u>42,509,065</u>	<u>361,443</u>	<u>1,268,649</u>	<u>44,139,157</u>

Bank balances

	2022			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Grade 1-3: Low-fair risk	7,945,721	-	-	7,945,721
Loss allowance	-	-	-	-
	<u>7,945,721</u>	<u>-</u>	<u>-</u>	<u>7,945,721</u>

	2021			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Grade 1-3: Low-fair risk	15,801,113	-	-	15,801,113
Grade 8: Loss	-	-	-	-
Loss allowance	-	-	-	-
	<u>15,801,113</u>	<u>-</u>	<u>-</u>	<u>15,801,113</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (cont'd)

Maximum Exposure to Credit Risk

The above represents the maximum exposure to credit risk at 31 December 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts reported in the statement of financial position.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(H)(iv)

The Company renegotiates loans with customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Bank balances

The Company held bank balances of GH¢ 7.9 million at 31 December 2022 (2021: GH¢15.8 million). The bank balances are held with reputable financial institution counterparties.

ii. *Collateral held*

The Company holds cash collateral against certain of its credit exposures. The information below sets out the principal types of collateral held against different types of financial assets.

	2022	2021	Principal type of collateral held
Type of credit exposure	GH¢	GH¢	
Investment securities	Nil	Nil	
Loans and advances	<u>14,420,358</u>	<u>11,708,121</u>	cash collateral

The table below sets out the carrying amount and the value of identifiable collateral (mainly cash) held against loans and advances to customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

	2022		2021	
Type of credit exposure	Carrying amount	Collateral	Carrying amount	Collateral
	GH¢	GH¢		
Stage 1 and 2	52,354,797	14,420,358	42,870,508	11,708,121
Stage 3	156,919	-	1,268,649	-
	<u>52,511,716</u>	<u>14,420,358</u>	<u>44,139,157</u>	<u>11,708,121</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (Cont'd)

ii. *Cash collateral held*

Assets obtained by taking possession of collateral

The Company did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date (2021:Nil).

iii. *Amounts arising from Expected Credit Loss (ECL)*

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 cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of customer files
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (cont'd)

iii. Amounts arising from ECL (cont'd)

- Internally collected data on customer behaviour
- Payment record: this includes overdue status as well as a range of variables about payment ratios
- Utilisation of the granted limit
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling:

- the remaining lifetime PD is determined to have increased by more than a stated threshold of the corresponding amount estimated on initial recognition; or,
- if the absolute change is annualised, lifetime PD since initial recognition is greater than a stated threshold of basis points.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences. As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12 month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Company determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up to date payment performance against the modified contractual terms.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;

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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (cont'd)

iii. Amounts arising from ECL (cont'd)

- exposures are not generally transferred directly from 12 month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12 month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12 month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD represent the probability that the customer will default in settling the obligation due. The PD for loans due after 90 days is 100%. The PD for loans that are below 90 days past due is determined using the historical loss rate.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (Cont'd)

iii. Amounts arising from ECL (cont'd)

As described above, and subject to using a maximum of a 12 month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including borrower's extension options if any) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Investment securities

	2022			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Balance at 1 January	9,000,000	-	2,999,956	11,999,956
Net remeasurement of loss allowance	-	-	(50,266)	(50,266)
Balance at 31 December	<u>9,000,000</u>	<u>-</u>	<u>2,949,690</u>	<u>11,949,690</u>

	2021			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Balance at 1 January	-	-	2,523,397	2,523,397
Net remeasurement of loss allowance	-	-	476,559	476,559
Balance at 31 December	<u>-</u>	<u>-</u>	<u>2,999,956</u>	<u>2,999,956</u>

Loans and advances to customers

	2022			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Balance at 1 January	2,153,595	41,829	1,255,607	3,451,031
12-month ECL	1,254,912	-	-	1,254,912
lifetime ECL not credit-impaired	-	35,972	1,211,984	1,247,956
lifetime ECL credit-impaired	-	-	-	-
Write-offs	-	-	(612,250)	(612,250)
Balance at 31 December	<u>3,408,507</u>	<u>77,801</u>	<u>1,855,341</u>	<u>5,341,649</u>

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4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (Cont'd)

iii. Amounts arising from ECL (cont'd)

Loans and advances to customers (cont'd)	2021			Total GH¢
	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	
Balance at 1 January	1,462,320	20,163	2,524,256	4,006,739
12-month ECL	691,275	-	-	691,275
lifetime ECL not credit-impaired	-	21,666	812,642	834,308
lifetime ECL credit-impaired	-	-	-	-
Write-offs	-	-	(2,081,291)	(2,081,291)
Balance at 31 December	<u>2,153,595</u>	<u>41,829</u>	<u>1,255,607</u>	<u>3,451,031</u>

v. Concentration of credit risk

The concentration of loans and advances by sector for the Company is shown below:

	2022 GH¢	2021 GH¢
Sales/Trading	51,883,086	41,978,881
Agriculture	1,311,314	2,157,355
Manufacturing/Production	1,360,438	635,279
Service	2,367,382	2,231,304
Total Gross Amount*	<u>56,922,220</u>	<u>47,002,820</u>

* This excludes staff loans and deferred transaction cost amounting to GH¢ 1,514,626 and GH¢ 1,071,832 (2021: GH¢ 881,782 and GH¢ 867,110) respectively.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

b Credit Risk (Cont'd)

iii. Amounts arising from ECL (cont'd)

Key ratios on loans and advances

Loan loss provision ratio as at 31 December 2022 is 9.07% (2021: 7.25%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances as at 31 December 2022 is 4.72 % (2021: 7.25%).

Ratio of fifty (50) largest exposure (gross funded) to total exposure as at 31 December 2022 is 1.55% (2021: 2%).

c Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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Management of liquidity risk

It is the policy of the Company to maintain liquidity limits imposed by its regulator, Bank of Ghana and the overall liquidity has been within the regulatory limit of Bank of Ghana at all times, and for all currencies. Hence the Company aims to be in a position to meet all obligations, to fulfil commitments to lend and to meet any other commitments.

Liquidity risk management is governed by the Company's Asset and Liability Committee (ALCO), which is chaired by the Chief Executive Officer. ALCO is responsible for both statutory and prudential liquidity. ALCO has primary responsibility for compliance with regulations and Company policy and maintaining a liquidity crisis contingency plan. ALCO oversees the structural foreign exchange and interest rate exposures that arise within the Company.

Maturity analysis for financial instruments

The tables below set out the various contractual maturities of the Company's financial assets and financial liabilities in Ghana Cedi:

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4 FINANCIAL RISK MANAGEMENT (CONT'D)

c Liquidity Risk (cont'd)

2022 Assets	Carrying Amount	Gross nominal inflow/(outflow)			Total
		Less than 1 year	Between 1 and 5 years	Over 5 years	
	GH¢	GH¢	GH¢	GH¢	GH¢
Loans and Advances	53,583,546	50,997,089	1,514,626	-	52,511,715
Investment securities	9,544,110	9,544,110	-	-	9,544,110
**Other receivables	29,792	29,792	-	-	29,792
Due from related party	11,443.44	11,443.44	-	-	11,443
Cash and bank balances	7,945,721	7,945,721	-	-	7,945,721
Total assets	71,114,613	68,528,155	1,514,626	-	70,042,781
Lease liabilities	(831,961)	-	(831,961)	-	(831,961)
Loans and borrowings	(24,039,431)	-	(24,039,431)	-	(24,039,431)
Collateral deposits	(15,580,777)	(15,580,777)	-	-	(15,580,777)
Due to related party	(158,254)	(158,254)	-	-	(158,254)
*Other payables and accruals	(3,724,278)	(3,724,278)	-	-	(3,724,278)
Total liabilities	(44,334,701)	(19,463,309)	(24,871,392)	-	(44,334,701)
Net Liquidity	26,779,912	49,064,846	(23,356,766)	-	25,708,081
2021-Restated Assets	Carrying Amount	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	GH¢	GH¢	GH¢	GH¢	GH¢
Loans and Advances	44,139,157	43,257,375	881,782	-	44,139,157
Investment securities	-	-	-	-	-
**Other receivables	16,993	16,993	-	-	16,993
Due from related party	-	-	-	-	-
Cash and bank balances	15,801,113	15,801,113	-	-	15,801,113
Total assets	59,957,263	59,075,481	881,782	-	59,957,263
Lease liabilities	(889,697)	-	(889,697)	-	(889,697)
Loans and borrowings	(23,241,523)	-	(23,241,523)	-	(23,241,523)
Due to related party	(2,239,322)	(2,239,322)	-	-	(2,239,322)
Collateral deposit	(12,653,906)	(12,653,906)	-	-	(12,653,906)
*Other payables and accruals	(5,054,192)	(5,054,192)	-	-	(5,054,192)
Total liabilities	(44,078,640)	(19,947,420)	(24,131,220)	-	(44,078,640)
Net Liquidity	15,878,623	39,128,061	(23,249,438)	-	15,878,623

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4 FINANCIAL RISK MANAGEMENT

d Market risk

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return on risk.

The Company recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Company's exposure to market risk arises principally from customer driven transactions.

Overall authority for market risk is vested in the Chief Executive Officer and ALCO. ALCO prepares a monthly gap analysis of interest bearing assets and liabilities to monitor the net position and how it impacts on profitability of the Company.

i Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which balances are denominated and the respective functional currency of the Company. The functional currency of the Company is the Ghana cedis. The currency in which these transactions are primarily denominated is US Dollars (US\$). The currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company's policy is to ensure that its net exposure in respect of monetary assets and liabilities denominated in foreign currencies are kept to an acceptable level. The Company monitors the movement in foreign currencies on an ongoing basis and takes appropriate actions as necessary.

Exposure to currency risk

The summary quantitative data about the Company and the Company's exposure to currency risk was as follows:

	2022	2021
	US\$	US\$
Assets		
Bank balances	93,675	33,710
Net Exposure	<u>93,675</u>	<u>33,710</u>

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Ghana cedis against all United States Dollar (US\$) at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	2022		2021	
	Strengthening GH¢	Weakening GH¢	Strengthening GH¢	Weakening GH¢
US\$ (10% movement)	<u>(93,581.57)</u>	<u>93,582</u>	<u>(20,731)</u>	<u>20,731</u>

The following exchange rates were applied

	Average Rate		Year end spot rate	
	2022	2021	2022	2021
GH¢				
US\$ 1	9.99	6.14	9.99	6.15

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4 FINANCIAL RISK MANAGEMENT

d Market risk (cont'd)

ii Interest rate risk

Interest rate risk comprises interest price risk that results from investing and borrowing at fixed rates. At the reporting date the interest rate profile of the Company's interest-bearing financial instruments

	2022	2021
	GH¢	GH¢
Financial Assets:		
Investment securities	9,544,110	0
Loans and advances	53,583,546	44,139,157
	63,127,656	44,139,157
Financial Liabilities:		
Related party loan	(23,583,793)	(23,047,640)
Lease liabilities	(831,961)	(889,697)
	(24,415,754)	(23,937,337)
	38,711,903	20,201,820

The Company does not account for any fixed-rate financial instrument at fair value through profit or loss. Therefore a change in interest rates at the reporting date does not affect profit or loss. A change of 1% in interest rates would have increased or decreased profit or loss. The Company had no variable-rate financial instruments.

e Operational Risk

Operational risk arises from other sources of risk aside credit risk, liquidity risk, and market risk. This may include risks like reputation risk, compliance risk etc.

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;

4 FINANCIAL RISK MANAGEMENT

e Operational Risk (cont'd)

- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by ALCO. The results of reviews are discussed with the management of the business unit and summaries submitted to the Audit Committee and Senior management of the Company.

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f Compliance and Regulatory Risk

This is the risk of non-compliance with regulatory requirements. The Company's Internal Audit Department is responsible for establishing and maintaining an appropriate framework of the Company's compliance policies and procedures. In order to strengthen the Company's compliance with regulatory requirements, the Company organises series of dedicated training on a regular basis to equip staff with compliance and regulatory issues in order to minimise risk emanating there from.

g Legal Risk

The Company is not dependent on any patent or any industrial, commercial or financial contract. The Company's activities are undertaken in a manner which adequately reduces the risks which may arise out of material litigation to be initiated against it (the Company).

h Reputational Risk

The Company conducts its business in a responsible, professional and transparent way. By offering simplified products and following the necessary legal and regulatory processes, the Company safeguards the interest of its clients as well as its reputation. Furthermore, the Company maintains close ties with the communities in which it operates by supporting them in various ways. This is aimed at demonstrating our commitment and fostering a long term relationship with our clients and the public at large.

i Capital Management

The company's regulator, the Bank of Ghana sets and monitors capital requirements for the company as a whole. In implementing current capital requirements, the Bank of Ghana requires the company to maintain a prescribed ratio of total capital to total risk-weighted assets.

The company's regulatory capital is analysed into two tiers:

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves.

- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluations reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

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

4 FINANCIAL RISK MANAGEMENT

i Capital Management (cont'd)

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the company's management of capital during the period.

Capital Adequacy Ratio

The capital adequacy ratio is the quotient of the capital base of the company and the company's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained. Capital Adequacy Ratio" means the percentage of a non- bank financial institution risk-weighted credit exposure or as the Bank shall more specifically define from time to time.

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	2022	2021
	GH¢	GH¢
Tier 1 Capital		
Ordinary Share Capital	17,886,439	7,758,037
Disclosed Reserves	1,133,424	(253,033)
Shareholders' Fund	<u>19,019,863</u>	<u>7,505,004</u>
Less:		
Intangible assets	5,515	18,703
Total Regulatory Capital	<u>19,014,348</u>	<u>7,486,301</u>
Adjusted Risk-weighted Assets	<u>80,883,043</u>	<u>74,380,529</u>
Total regulatory capital expressed as a percentage	<u>24%</u>	<u>10%</u>

The Company complied with the minimum capital requirement of GH¢1million as per section 12 of the Non-Bank Financial Institution Act, 2008 and the Capital Adequacy Ratio.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company's longer term strategic objectives.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5 ACCOUNTING CLASSIFICATIONS

The Company classifies non-derivative financial instruments as amortised cost and measures also at amortised cost.

Below is the accounting classifications of financial instruments

	2022		2021	
	Amortised Cost	Total	Amortised Cost	Total
Financial assets	GH¢	GH¢	GH¢	GH¢
Loans and advances	53,583,546	53,583,546	44,139,157	44,139,157
Investment securities	9,544,110	9,544,110	-	-
** Other receivables	29,792	29,792	16,993	16,993
Due from related party	11,443	11,443	-	-
Cash and bank balances	7,945,721	7,945,721	15,801,113	15,801,113
	<u>71,114,613</u>	<u>71,114,613</u>	<u>59,957,263</u>	<u>59,957,263</u>
Financial liabilities	GH¢	GH¢	GH¢	GH¢
Lease liabilities	831,961	831,961	889,697	1,185,905
Loans and borrowings	24,039,431	24,039,431	23,241,523	23,336,154
Collateral deposits	15,580,777	15,580,777	12,653,906	1,042,603
Due to related party	158,254	158,254	2,239,322	8,800,917
*Other payables and accruals	3,724,278	3,724,278	1,859,989	761,284
	<u>44,334,701</u>	<u>44,334,701</u>	<u>40,884,437</u>	<u>35,126,863</u>

** This balance excludes prepayments and advance payments

*This balance excludes statutory payments and deferred income

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6 FAIR VALUES

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

6 FAIR VALUES (CONT'D)

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

a Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

6 FAIR VALUES (CONT'D)

a Valuation models (cont'd)

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

b Financial instruments not measured at fair value – fair value hierarchy

The table below analyses financial instruments, not measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

With exception of loans and borrowings, the carrying amounts of all other financial instruments fairly approximate fair values due to the short term maturity of these instruments.

	2022		2021	
	Carrying amount	Level 2	Carrying amount	Level 2
	GH¢	GH¢	GH¢	GH¢
Loans and borrowings	24,039,431	24,039,431	23,241,523	23,241,523
	<u>24,039,431</u>	<u>24,039,431</u>	<u>23,241,523</u>	<u>23,241,523</u>

7 INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST METHOD

	2022	2021
	GH¢	GH¢
Loans and advances	39,200,841	33,684,960
Staff loans	159,147	150,652
Investment securities	1,087,229	467,418
	<u>40,447,217</u>	<u>34,303,030</u>

8 FEES AND COMMISSION INCOME

	2022	2021
	GH¢	GH¢
Passbook fees/sale of passbook	114,888	95,567
Commission on microensure	898,438	851,119
Other commission income	1,411	2,066
	<u>1,014,737</u>	<u>948,752</u>

9 NET EXCHANGE GAINS/(LOSS)

	2022	2021
	GH¢	GH¢
Exchange gains	384,349	23,385
Exchange loss	(2,017,500)	(153,546)
	<u>(1,633,151)</u>	<u>(130,161)</u>

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10 OTHER INCOME	2022 GH¢	Restated 2021 GH¢
Other financial income	529,093	303,599
Loan recoveries	121,842	167,922
Income from VFI Project	130,891	346,319
Sundry income	23,220	2,050
	<u>805,046</u>	<u>819,890</u>
11 PERSONNEL EXPENSES		
Salaries	10,941,691	8,574,560
Medical expenses	940,928	602,624
Defined contribution plans	2,153,368	1,835,213
Life insurance	31,181	1,802
Donations	3,200	5,837
Overtime payment	770	106
Loan officers incentive	124,659	159,556
National service & temporary staff allowance	610,164	9,965
Productivity allowance	2,171,895	1,530,870
Clothing allowance	754,254	742,087
	<u>17,732,109</u>	<u>13,462,620</u>
The average number of employees for the period was 353 (2021: 312).		
12 OTHER ADMINISTRATIVE EXPENSES		
VFI Partnership fees	1,475,430	1,610,283
Audit fees	139,606	50,085
Professional fees	1,434,075	1,648,552
*Directors' Remuneration	284,431	190,096
Directors expenses	353,802	185,435
Supplies, copying and printing	906,722	586,872
Insurance	308,659	196,559
Travel and transport (local and international)	1,953,514	1,162,558
Communication	1,138,135	708,273
Occupancy (rentals, utility and security)	1,200,166	1,119,754
Fuel and lubricants expenses	1,355,553	738,869
Bank charges	268,766	203,826
Subscription	11,296	5,056
Advertising and public relations	35,969	9,409
Staff Training	518,639	-
Office Rebranding	295,000	-
Other expenses	723,501	731,566
	<u>12,403,264</u>	<u>9,147,193</u>

**The directors remuneration relates to the emoluments of the CEO who is a managing director. All other directors do not receive any remuneration.*

VISIONFUND GHANA MICRO CREDIT LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2022

13 TAXATION

(a) Income tax expense

The tax (release)/charge for the year is yet to be computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

	2022	2021
	GH¢	GH¢
Current tax expense		
Current year (Note 13c)	1,691,221	667,556
	1,691,221	667,556
Under Provision	141,527	-
Deferred tax Charge/(credit)		
Origination deductible temporary differences	(1,483,358)	403,508
	349,390	1,071,064

(b) Reconciliation of effective tax rate

Profit/(Loss) before income tax	3,826,448	2,229,326
Tax calculated at the statutory income tax rate of 25 % (2021: 25%)	956,612	557,332
Non-deductible expenses	1,197,068	444,741
Tax exempt income	(544,724)	(492,460)
Income subjected to tax at a different rate	223,792	157,943
Deferred Charge	(1,483,358)	403,508
	349,390	1,071,064
Effective tax	9%	48%

(c) Current income tax

	At 1 January	Charge to profit or loss	Under Provision	Payments	At 31 December GH¢
Year of assessment					
2016	(181)	-	-	-	(181)
2017	(396,684)	-	-	-	(396,684)
2018	(232,125)	-	-	-	(232,125)
2019	(100,279)	-	-	-	(100,279)
2020	(202,152)	-	-	-	(202,152)
2021	667,556	-	-	-	667,556
2022	-	1,691,221	141,527	(2,437,825)	(605,077)
	(263,865)	1,691,221	141,527	(2,437,825)	(868,942)

The above tax position for 31 December 2022 and 2021 is subject to agreement by the Domestic Tax Revenue Division of Ghana Revenue Authority (GRA).

VISIONFUND GHANA MICRO CREDIT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2022	2021
	GH¢	GH¢
13 TAXATION (CONT'D)		
(d) National fiscal stabilisation levy		
	2022	2021
	GH¢	GH¢
Balance at 1 January	(78,418)	(85,556)
Charged for the year	191,322	111,466
Payments	<u>(386,746)</u>	<u>(104,328)</u>
Balance at 31 December	<u>(273,842)</u>	<u>(78,418)</u>

In accordance with the National Fiscal Stabilisation Act, 2013 (Act 862), as amended by the NFSL Amendment Act, 2019 (Act 1011), some specified Companies and Institutions including financial institutions are liable to pay a levy under the Act. The rate of the levy is 5% on the profit before tax of these Companies. The Levy is not an allowable deduction for the purpose of ascertaining the chargeable income of the Company.

(e) Deferred tax

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Property and equipment	(144,535)	(159,917)	-	-	(144,535)	(159,917)
Tax losses	(405,980)	(950,405)	-	-	(405,980)	(950,405)
Impairment on financial assets	(2,072,840)	(121,475)	-	-	(2,072,840)	(121,475)
Other temporary differences	(109,245)	(17,445)	-	-	(109,245)	(17,445)
Net tax (assets)/liabilities	<u>(2,732,600)</u>	<u>(1,249,242)</u>	<u>-</u>	<u>-</u>	<u>(2,732,600)</u>	<u>(1,249,242)</u>

Recognition of deferred tax assets of GH¢2,732,600 (2021: GH¢ 1,249,242) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Company will have future taxable profits against which these assets can be used.

(f) Movement in temporary differences during the year 2022

	Balance at 1 January 2022	Recognised in profit or loss	Balance 31 December 2022
	GH¢	GH¢	GH¢
Property plant and equipment	(159,917)	15,382	(144,535)
Tax losses	(950,405)	544,425	(405,980)
Impairment on financial assets	(121,475)	(1,951,365)	(2,072,840)
Other temporary differences	(17,445)	(91,800)	(109,245)
	<u>(1,249,242)</u>	<u>(1,483,358)</u>	<u>(2,732,600)</u>
2021		Recognised	Balance 31
	Balance at 1 January 2021	in profit or loss	December 2021
	GH¢	GH¢	GH¢
Property plant and equipment	(151,348)	(8,569)	(159,917)
Tax losses	(950,405)	-	(950,405)
Impairment on financial assets	(533,552)	412,077	(121,475)
Other temporary differences	(17,445)	-	(17,445)
	<u>(1,652,750)</u>	<u>403,508</u>	<u>(1,249,242)</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
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14 PROPERTY AND EQUIPMENT

	Right-of use Asset (Building)	Motor vehicles	Office Equipment	Furniture and fittings	Computer Equipment	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cost						
Balance at 1 January 2022	2,041,873	1,192,184	503,957	432,228	1,946,259	6,116,502
Additions	297,628	1,086,301	306,357	357,157	980,727	3,028,170
Write-off/disposal	(15,957)	(7,970)	(186,574)	-	(570,037)	(764,581)
Derecognition of right-of-use assets	(15,957)	-	-	-	-	(15,957)
Balance at 31 December 2022	2,323,544	2,270,515	623,740	789,385	2,356,949	8,364,134
Depreciation						
Balance at 1 January 2022	665,055	1,125,271	255,324	181,752	1,288,922	3,516,324
Charge for the year	248,083	199,051	129,044	74,629	497,169	1,147,976
Release on disposal	-	(664)	(185,717)	-	(565,213)	(751,594)
Balance at 31 December 2022	913,138	1,323,658	198,652	256,381	1,220,878	3,912,707
Carrying amount						
At 31 December 2022	1,410,406	946,857	425,089	533,004	1,136,071	4,451,428
Cost						
Balance at 1 January 2021	1,961,243	1,160,264	229,712	308,674	1,440,786	5,100,679
Additions	80,630	31,920	274,245	123,554	505,474	1,015,823
Write-off/disposal	-	-	-	-	-	-
Derecognition of right-of-use assets	-	-	-	-	-	-
Balance at 31 December 2021	2,041,873	1,192,184	503,957	432,228	1,946,259	6,116,502
Depreciation						
Balance at 1 January 2021	450,108	1,037,489	181,365	135,646	960,665	2,765,274
Charge for the year	214,947	87,782	73,959	46,106	328,257	751,051
Release on disposal	-	-	-	-	-	-
Balance at 31 December 2021	665,055	1,125,271	255,324	181,752	1,288,922	3,516,325
Carrying amount						
At 31 December 2021	1,376,818	66,913	248,633	250,476	657,338	2,600,177

15 Intangible Assets

	2022		2021		Total GH¢
	Software GH¢	Licenses GH¢	Software GH¢	Licenses GH¢	
Cost					
Balance at 1 January	625,203	148,597	625,203	148,597	773,800
Additions	-	-	-	-	-
Write-off/disposal	(15,437)	-	(15,437)	-	-
Balance at 31 December	609,766	148,597	625,203	148,597	773,800
Amortisation					
Balance at 1 January	613,821	148,597	606,813	148,597	755,410
Charged for the year	5,867	-	7,008	-	7,008
Release on disposal	(15,437)	-	(15,437)	-	-
Balance at 31 December	604,251	148,597	613,821	148,597	762,418
Carrying amount					
At 31 December 2022	5,515	-	11,382	-	11,382

VISIONFUND GHANA MICRO CREDIT LIMITED
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16 LOANS AND ADVANCES

(a) Loans and advances

	2022	2021
	GH¢	GH¢
Gross Advances	58,925,215	47,590,188
Impairment loss	<u>(5,341,669)</u>	<u>(3,451,031)</u>
	<u>53,583,546</u>	<u>44,139,157</u>

(b) Impairment

	2022			
	Stage 1	Stage 2	Stage 3	Total
	GH¢	GH¢	GH¢	GH¢
Balance at 1 January	2,153,595	41,829	1,255,607	3,451,031
Charged/(release) for the year	1,254,912	35,972	1,211,984	2,502,868
Write-offs	-	-	(612,230)	(612,230)
Balance at 31 December	<u>3,408,507</u>	<u>77,801</u>	<u>1,855,361</u>	<u>5,341,669</u>

	2021			
	Stage 1	Stage 2	Stage 3	Total
	GH¢	GH¢	GH¢	GH¢
Balance at 1 January	1,462,320	20,163	2,524,256	4,006,739
(Released)/charged for the year	691,275	21,666	812,642	1,525,583
Write-offs	-	-	(2,081,291)	(2,081,291)
Balance at 31 December	<u>2,153,595</u>	<u>41,829</u>	<u>1,255,607</u>	<u>3,451,031</u>

Included in loans and advances balance is an amount of GH¢ 568,618 (2021:GH¢ 532,240) due from staff. These loans are granted at an interest rate of 2% per month with tenure between six (6) months to two (2) years, and GHS 946,008 on advance to staff MotorBike.

17 INVESTMENT SECURITIES

(a) Investment securities

	2022	2021
	GH¢	GH¢
Fixed deposits		
Principal	11,949,690	2,999,956
Interest accrued	<u>544,110</u>	-
	<u>12,493,800</u>	2,999,956
Impairment on investment securities	<u>(2,949,690)</u>	<u>(2,999,956)</u>
	<u>9,544,110</u>	-
<i>**The investments were held with banks and non-banks as follows</i>		
Banks	<u>9,544,110</u>	-
	<u>9,544,110</u>	-

17 INVESTMENT SECURITIES CONT'D)

(b) Impairment

	2022	2021
	GH¢	GH¢
Balance as at 1 January	2,999,956	2,523,397
(Release)/charged for the year	<u>(50,266)</u>	476,559
Balance as at 31 December	<u>2,949,690</u>	<u>2,999,956</u>

VISIONFUND GHANA MICRO CREDIT LIMITED
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18 OTHER RECEIVABLES

	2022	2021
	GH¢	GH¢
Insurance prepayments	120,615	89,730
Other prepayments	799,247	195,583
Staff advances	29,792	16,993
Other receivables	516,241	127,358
	1,465,895	429,664

19 CASH AND BANK BALANCES

	2022	2021
	GH¢	GH¢
Cash	3,708	3,698
Bank balances	7,214,899	15,169,687
Mobile Money balances	727,114	627,728
	7,945,721	15,801,113
Cash and bank balances in the statement of financial position	7,945,721	15,801,113
Investments with original maturities less than 3 months	9,544,110	-
Cash and bank balances in the statement of cash flows	17,489,831	15,801,113

20. CAPITAL AND RESERVES

a) **Stated capital**

The authorised shares of the Company are 1,000,000,000 ordinary shares (2021: 1,000,000,000) of no par value. The issued ordinary shares as at 31 December 2022 and 31 December 2021 are as follows:

20. CAPITAL AND RESERVES (CONT'D)

	2022	2021
	Number of shares	Number of shares
Opening balance	7,758,037	7,758,037
Registered Shares	10,128,402	-
In issue at 31 December- fully paid	17,886,439	7,758,037

Considerations for the shares amounted to GH¢ 17,886,439 (2021:GH¢ 7,758,037)

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

b) **Dividend paid**

The directors did not recommend the payment of dividend for the period (2021: Nil)

c) **Deposit for shares**

Deposit for shares represents additional equity contribution by shareholders for which approval has not been granted by Bank of Ghana.

VISIONFUND GHANA MICRO CREDIT LIMITED
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	2022	2021
	GH¢	GH¢
Opening balance	14,888,654	6,939,630
Deposit lodged for shares- World Vision Ghana ADPs	336,000	54,077
Deposit lodged for shares- VisionFund International	3,139,532	2,794,947
Loan conversion - VisionFund International (Note 21(ii))	6,347,090	5,100,000
Registered Shares	(10,128,402)	-
At 31 December	14,582,874	14,888,654

21 LOANS AND BORROWINGS

	2022	2021
	GH¢	GH¢
Related party borrowings (21a)	23,583,793	23,047,640
Loan from UNICEF (21b)*	-	193,884
BOA-Vehicle Financing	455,638	-
	24,039,431	23,241,524
Non-current portion	455,638	193,884
Current portion	23,583,793	23,047,640
	24,039,431	23,241,524

* The loan from UNICEF expired as at April, 2022. Proposal for a renewal is yet to be reached with management of UNICEF.

Information about the Company's exposure to market risk is included in Note 4

21 LOANS AND BORROWINGS (CONT'D)

a) Related Party Borrowings

This represents loans received from VisionFund International. During the year VisionFund International advanced a new loan of GH¢ 6.2 million, and also converted GH¢ 6.3 million into equity within the year (2021:GH¢ 5.1 million) to the Company. In addition a total loan amount of GH¢ 13.9 million (2021: GH¢ 13.9 million) was renewed during the year. The loans have an average tenor range of a year. The interest rates are fixed.

(i) Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

2022					
	Currency	Nominal interest rate	Maturity Date	Face value	Carrying amount
Related party loan -New Loan		28.80%	23/09/2023	6,225,000	6,240,000
Related party loan - Renewal	GH¢	25.50%	30/06/2025	3,437,950	3,437,950
Related party loan - Renewal	GH¢	20.00%	31/03/2025	4,179,250	4,179,250
Related party loan - Renewal	GH¢	0.00%	30/09/2025	6,360,000	6,360,000
Related party loan - Renewal	GH¢	20.00%	30/12/2022	2,723,350	2,723,350
				22,925,550	22,940,550
2021					
	Currency	Nominal interest rate	Maturity Date	Face value	Carrying amount
Related party loan - Renewal	GH¢	30.00%	30/12/2021	2,275,000	2,275,000
Related party loan - Renewal	GH¢	24.50%	30/06/2022	3,437,950	3,437,950
Related party loan - Renewal	GH¢	29.20%	30/12/2021	2,097,090	2,097,090
Related party loan - Renewal	GH¢	26.80%	31/03/2022	4,179,250	4,179,250
Related party loan - Renewal	GH¢	0.00%	30/09/2022	6,360,000	6,360,000
Related party loan - Renewal	GH¢	30.00%	30/12/2021	1,975,000	1,975,000
Related party loan - Renewal	GH¢	20.00%	30/12/2021	2,723,350	2,723,350
				23,047,640	23,047,640

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21 LOANS AND BORROWINGS (CONT'D)

(ii) Movement in related party loan

	2022	2021
	GH¢	GH¢
Opening balance	23,047,640	23,047,640
Matured loans	(23,047,640)	(13,977,200)
Rollover of matured loans	23,047,640	13,977,200
Loan converted to equity	(6,347,090)	(5,100,000)
Additional loans received	6,225,000	5,100,000
Interest expense *	2,598,293	7,513,523
Interest paid	(1,940,050)	(7,513,523)
	23,583,793	23,047,640

* Interest expense excludes withholding taxes (WHT) charged on interest expense on related party loans. Withholding tax on interest expense is paid by VisionFund Ghana Micro Credit Limited hence accounted for as part of interest expense in the statement of profit or loss account

(iii) Interest expense

	2022	2021
	GH¢	GH¢
Interest expense	2,922,197	8,220,813

b) Loan from UNICEF

VFG entered into a partnership with RUFINLIT, the GoG UNICEF WASH Programme Implementing Partner (IP) to receive funds from UNICEF which is to be given out as loans to customers for the purposes of sanitation improvement. The loans are specifically available to persons in the Garu and Mion District Assemblies. The agreement spans a period of 3 years from May 2019 to April 2022 at an annual interest rate of 15%. This loan facility is expired as at April, 2022. Proposal for a renewal is yet to be reached with management of UNICEF.

22 COLLATERAL

Collateral are security given by customers before loans are granted. These amounts are payable to customers when the customers cease to borrow and their loans fully paid.

	2022	2021
	GH¢	GH¢
Inactive accounts	1,160,419	945,785
Active accounts	14,420,358	11,708,121
	15,580,777	12,653,906

23 OTHER PAYABLES AND ACCRUALS

	2022	Restated 2021
	GH¢	GH¢
Accrued expenses	165,115	49,978
Other payroll deductions	815,874	665,916
Statutory deductions payable	2,670,893	624,432
Other payables	2,743,289	1,144,095
Withholding tax/GETFund payable	-	1,698,445
VAT	-	237,061
Deferred Income - Wash Project	274,712	634,265
	6,669,883	5,054,192

VISIONFUND GHANA MICRO CREDIT LIMITED
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24 LEASES

a Leases as lessee

The Company leases a number of branch and office premises. The leases typically run for a period between two (2) to six (6) years, with an option to renew the lease after the date. For some leases, payments are renegotiated at frequent intervals to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Company is a lessee is presented below.

i. *Right-of-use assets*

	Branches and office premises	
	2022 GH¢	2021 GH¢
Balance at 1 January	1,376,818	1,511,135
De-recognition during the year	-	-
Additions	280,029	80,630
Depreciation charge for the year	(263,803)	(214,947)
Write-off	-	-
Balance at 31 December	1,393,044	1,376,818

ii. *Amounts recognized in profit or loss*

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment.

	The Company	
	2022 GH¢	2021 GH¢
Interest on lease liabilities	143,386	121,358
Depreciation on right-of-use assets	263,803	214,947
	407,189	336,305

iii. *Amounts recognized in statement of cashflow*

	The Company	
	2022 GH¢	2021 GH¢
Interest payments	143,386	121,358
Principal lease payments	57,736	36,888
	201,122	158,246

iv. *Extension options*

Some leases of office premises contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement due date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is significant event or significant changes in circumstances within its control.

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24 LEASES (CONT'D)

v. *Lease liabilities*

	2022	2021
	GH¢	GH¢
Balance at January 1	889,697	926,585
Modifications during the year	-	-
De-recognition during the year	-	-
Additions	-	-
Interest expense	143,736	121,358
Interest paid	(143,736)	(121,358)
Principal lease payments	(57,736)	(36,888)
Balance at 31 December	831,961	889,697

25 RELATED PARTY

a) **Parent and ultimate controlling party**

Related parties include the parent company, VisionFund International (VFI) and VFI group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company are considered as related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Company is controlled by VisionFund International, which itself is owned and controlled by World Vision International (World Vision). As at the year ended 31 December 2022, VisionFund International and World Vision Ghana (a private company limited by shares and registered in Ghana) owned 90% and 10% respectively, of the ordinary issued share capital of VisionFund Ghana Micro Credit Limited.

Name of Related Company

Nature of Transactions

VisionFund International

Provides debt and equity financing to the company, technical services, advisory and board membership.

World Vision Ghana

Provides equity financing to the company

b) **Transactions with key management personnel**

i) **Transactions with directors**

Non-executive directors are not remunerated, they serve on voluntary basis. Directors expenses disclosed in Note 12 relates to board expenses.

ii) **Key management personnel compensation**

	2022	2021
	GH¢	GH¢
Salaries and other short-term employment benefits	873,466	868,214
Defined contribution expense	87,347	163,455
	960,813	1,031,669

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Compensation of the Company's key management personnel includes salaries, non-cash benefits, and contributions to a defined contribution plan.

iii) *Due from key management personnel*

	2022	2021
	GH¢	GH¢
Outstanding loan balance	<u>6,667</u>	<u>24,167</u>

25 RELATED PARTY (CONT'D)

c) **Other related party transactions**

Transactions between the Company and related parties during the year are as follows;

	2022	2021
	GH¢	GH¢
Partnership fees		
VisionFund International	<u>1,475,430</u>	<u>1,046,274</u>
Interest on loans from related party		
VisionFund International	<u>1,940,050</u>	<u>7,513,523</u>
Equity contribution		
VisionFund International	<u>9,115,562</u>	<u>2,515,452</u>
World Vision Ghana	<u>1,012,840</u>	<u>279,495</u>

Borrowing from related party

ii) **New loans**

VisionFund International	<u>6,225,000</u>	<u>-</u>
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iii) **Renewed loans**

VisionFund International	<u>23,047,640</u>	<u>13,977,200</u>
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d) **Due to related party**

Year end balances from transactions with related parties are as follows;

	2022	2021
	GH¢	GH¢
VisionFund International	<u>158,254</u>	<u>2,239,322</u>

e) **Due from related party**

Year end balances from transactions with related parties are as follows;

	2022	2021
	GH¢	GH¢
VisionFund International	<u>11,443</u>	<u>-</u>

The balances due from related party and due to related party are not secured. No impairment allowance was recognised on the balance due from related party.

26 CAPITAL COMMITMENTS

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

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27 CONTINGENT LIABILITIES

A total of **GH¢1,784,084.94** tax liability incurred as a result of Ghana Revenue Authority tax audit conducted for the periods of 2017-2020 year of assessment. (2021: Nil).

28 DIVIDEND PER SHARE

The Directors have not recommended payment of dividend for the year ended 31 December 2022 and 2021.

29 SUBSEQUENT EVENTS

The Directors have disclosed other material events that have occurred between the date of the statement of financial position and the date of this report that require disclosure or adjustment.

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30. Correction of prior period error

	2021 Amount	Effects of retrospective adjustment	2021 Restated
	GH¢	GH¢	GH¢
Statement of Profit or Loss Extract			
Interest income	34,303,030	-	34,303,030
Interest expense	(8,106,925)	(113,888)	(8,220,813)
Fee and commission income	948,752	-	948,752
Revenue	27,144,857	(113,888)	27,030,969
Impairment charge on loans and advances	(1,525,583)	-	(1,525,583)
Impairment release/(charge) on investment securities	(476,559)	-	(476,559)
Net exchange gain/ (loss)	(130,161)	-	(130,161)
Other income	819,890	-	819,890
Personnel expenses	(13,462,620)	-	(13,462,620)
Depreciation	(751,051)	-	(751,051)
Amortisation	(7,008)	-	(7,008)
Interest expense on lease liability	(121,358)	-	(121,358)
Other Administrative Expenses			
VFI Partnership fees	30.1 (1,046,274)	(564,009)	(1,610,283)
Audit fees	(50,085)	-	(50,085)
Professional fees	(390,943)	(1,257,609)	(1,648,552)
*Directors' Remuneration	(190,096)	-	(190,096)
Directors expenses	(185,435)	-	(185,435)
Supplies, copying and printing	(586,872)	-	(586,872)
Insurance	(196,559)	-	(196,559)
Travel and transport (local and international)	(1,162,558)	-	(1,162,558)
Communication	(708,273)	-	(708,273)
Occupancy (rentals, utility and security)	(1,119,754)	-	(1,119,754)
Fuel and lubricants expenses	(738,869)	-	(738,869)
Bank charges	(203,826)	-	(203,826)
Subscription	(5,056)	-	(5,056)
Advertising and public relations	(9,409)	-	(9,409)
Other expenses	(731,566)	-	(731,566)
Profit/(Loss) before Tax	4,164,832	(1,935,506)	2,229,326
Statement of Financial Position Extract			
Total Assets	64,536,792	-	64,536,792
EQUITY AND LIABILITIES			
Equity			
Stated capital	7,758,037	-	7,758,037
Deposit for shares	14,888,654	-	14,888,654
Retained earnings	30.1 (253,033)	(1,935,506)	(2,188,539)
Total equity	22,393,658	(1,935,506)	20,458,152
Liabilities			
Lease liabilities	889,697	-	889,697
Loans and borrowings	23,241,523	-	23,241,523
Collateral deposits	12,653,906	-	12,653,906
Due to related party	2,239,322	-	2,239,322
Other payables and accruals	30.1 3,118,686	1,935,506	5,054,192
Total liabilities	42,143,134	1,935,506	44,078,640
Total equity and liabilities	64,536,792	-	64,536,792

30.1 Explanations to Retrospective Restatement

Ghana Revenue Authority conducted an audit on the company for the period 2017 to 2021. This exercise revealed the company did not charge some statutory charges and withholding taxes on IT services rendered to them by VisionFund International. Additionally, an under provision of corporate tax totalling GH¢141,527 was discovered. The GRA audit has generated a tax liability totalling GH¢1,935,506 covering the period 2017 to 2021. This amount is now being incorporated into the financial statements retrospectively.

