TF FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS
31 DECEMBER 2014

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GENERAL INFORMATION

BOARD OF DIRECTORS	Mr. Frederick France (Chairman) Mr. Aaron Badza (Managing Director) Dr. Nii Kwaku Sowa Mr. Pryce Kojo Thompson Mr. Samuel Ofori-Adjei Mr. Jacob Khorli Mr. Foster Buabeng
REGISTERED OFFICE	Number 59 7th Avenue Extension North Ridge Accra
SECRETARY	Sena Chartered Secretaries Limited Accra
AUDITORS	Ernst & Young Chartered Accountants G15, White Avenue P. O. Box KA 16009, Airport Airport Residential Area Accra
BANKERS	Ecobank Ghana Limited UBA Bank

REPORT OF THE DIRECTORS
TO THE MEMBERS OF TF FINANCIAL SERVICES LIMITED

The directors present their report together with the audited financial statements of TF Financial Services Limited (TFFSL) for the year ended 31 December 2014.

Statement of directors' responsibilities

The directors are responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the company. In preparing the financial statements, the directors have selected suitable accounting policies, applied them consistently, made judgments and estimates that are reasonable and prudent and have followed International Financial Reporting Standards, the provisions of the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738).

The directors are responsible for ensuring that the company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position, the financial performance and cash flows of the company. The Directors are also responsible for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of accounting fraud.

Nature of business

TFFSL is a wholly owned subsidiary of Teachers Fund registered to provide consumer, trade and business financing. TFFSL received a licence from the Bank of Ghana to operate the business of a finance house.

Results of operations

The company made a profit of GH¢1,153,255 as shown in the attached financial statements.

Signed on behalf of the Board:

_______________________	_______________________
Director	Director
Date;	Date;

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
TF FINANCIAL SERVICES LIMITED

Report on the financial statements

We have audited the accompanying financial statements of TF Financial Services Limited, which comprise the statement of financial position as at 31 December 2014, 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 information as set out on pages 5 to 38, and the directors' report, as set out on page 2.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TF Financial Services Limited as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738).

Report on other legal and regulatory requirements

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

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 company, so far as appears from our examination of those books; and proper returns adequate for the purpose of our audit have been received from branches not visited by us.

iii. The financial position (statement of financial position), statement of comprehensive income (profit and loss account) of the company are in agreement with the books of account.

Signed by Pamela Des-Bordes (ICAG/P/1329)
For and on behalf of Ernst & Young (ICAG/F/2015/126)
Chartered Accountants
Accra, Ghana

Date:

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 GH¢	2013 GH¢
Interest and similar income	3	**8,100,455**	5,205,748
Interest and similar expense	4	**(2,518,946)**	(1,189,758)
Net interest income		**5,581,509**	4,015,990
Fees and commission income	5	**348,002**	314,348
Other operating income		**162,130**	88,349
Total operating income		**6,091,641**	4,418,687
Credit loss expenses	6	**(146,803)**	(295,301)
Net operating income		**5,944,838**	4,123,386
Personnel expenses	7	**(2,337,268)**	(1,955,802)
Depreciation	8	**(178,744)**	(143,504)
General, selling and administrative expenses		**(1,912,910)**	(2,119,775)
Total operating expenses		**(4,428,922)**	(4,219,081)
Profit / (loss) before tax		**1,515,916**	(95,695)
Income tax	11b	**(362,661)**	(155,699)
Profit / (loss) for the year		**1,153,255**	(251,394)
Other comprehensive income:		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,153,255**	(251,394)

The attached notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		2014	2013
		GH¢	GH¢
Assets	**Notes**		
Cash and cash equivalents	10	**3,371,937**	733,058
Investments	16	**2,079,781**	-
Loans and advances	12	**18,565,021**	14,797,990
Property, plant and equipment	8	**766,034**	412,209
Other assets	13	**320,187**	405,740
Deferred tax asset	11b	**427,116**	264,178
Total assets		**25,530,076**	16,613,175
Total liabilities and equity			
Liabilities			
Loans payable	14	**15,230,888**	8,270,318
Tax payable	11b	**279,747**	133,539
Other liabilities	15	**858,110**	417,734
Total liabilities		**16,368,745**	8,821,591
Equity			
Stated capital	17	**7,000,000**	7,000,000
Retained earnings		**(1,436,232)**	(2,035,364)
Statutory reserve		**1,378,420**	801,793
Regulatory risk reserve		**2,219,143**	2,025,155
Total equity		**9,161,331**	7,791,584
Total liabilities and equity		**25,530,076**	16,613,175

Signed on behalf of the Board:

Director ______________________ Director ______________________

Date: Date:

The attached notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Stated capital	Retained earnings	Regulatory risk reserves	Statutory reserves	Total
	GH¢	GH¢	GH¢	GH¢	GH¢
Balance as of 1 January 2014	7,000,000	(2,035,364)	2,025,155	801,793	7,791,584
Transfer to statutory reserve	-	(576,627)	-	576,627	-
Total comprehensive income	-	1,153,255	-		1,153,255
Prior year adjustment: Tax overcharge	-	216,492	-	-	216,492
Transfer to risk reserves	-	(193,988)	193,988	-	-
Balance as of 31 December 2014	7,000,000	(1,436,232)	2,219,143	1,378,420	9,161,331
Balance as of 1 January 2013	7,000,000	(1,001,404)	1,242,589	801,793	8,042,978
Transfer to statutory reserves	-	-	-	-	-
Total comprehensive income	-	(251,394)	-	-	(251,394)
Prior year adjustment	-	-	-	-	-
Prior year adjustment:Transfer to regulatory reserves	-		-	-	-
Transfer to risk reserves	-	(782,566)	782,566	-	-
Balance as of 31 December 2013	7,000,000	(2,035,364)	2,025,155	801,793	7,791,584

The attached notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 GH¢	2013 GH¢
OPERATING ACTIVITIES			
Profit / (loss) before taxation		1,515,916	(95,695)
Adjustments for:			
Depreciation	8	178,744	143,504
Profit on disposal of asset		(25,280)	(3,378)
Operating profit before working capital changes		1,669,380	44,431
Increase in advances and loans		(3,767,031)	(5,418,388)
Increase in investments		(2,079,781)	-
Decrease/(increase) in other assets and prepayments		85,553	(206,401)
Increase in other liabilities		440,376	171,920
Cash used in operations before tax		(3,651,503)	(5,408,438)
Tax paid	11b	(162,899)	(138,521)
Net cash used in operating activities		(3,814,402)	(5,546,959)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8a	(532,569)	(321,969)
Disposal of property, plant, and equipment		25,280	13,300
Net cash flows used in investing activities		(507,289)	(308,669)
FINANCING ACTIVITIES			
Receipt of loan		6,960,570	4,857,201
Net cash flows provided by financing activities		6,960,570	4,857,201
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2,638,879	(998,427)
Cash and cash equivalents at 1 January		733,058	1,731,485
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	3,371,937	733,058

The attached notes 1 to 22 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

1. CORPORATE INFORMATION

1.1 ACTIVITIES

TF Financial Services Limited (TFFSL) is a wholly owned subsidiary of Teachers Fund registered and incorporated in Ghana as a private limited liability company under the Companies Act, 1963 (Act 179) to provide consumer, trade and business financing. TFFSL was given a license to operate as a financial institution (non-banking) in accordance with the Financial Institution (Non-Banking) Law, 1993 (PNDCL 328) (as repealed and replaced by the Non-Bank Financial Institutions Act, 2008 (Act774), on 8 April 2008.

Compliance with IFRS and other legal and regulatory matters

The financial statements of the company for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and other applicable Ghanaian laws.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments, financial assets and financial liabilities held at fair values through profit or loss, that have been measured at fair value.

The financial statements are presented in Ghana Cedis [GH¢], except where otherwise indicated. The financial statements have also been prepared on a going concern basis.

2.2 Foreign currencies translations

Transactions denominated in foreign currencies are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income under the heading “other operating income”.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in equity.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the cash flow statement as part of the reconciliation of cash and cash equivalents at the beginning and end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

2.3 Property, plant and equipment

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

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

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

	%
Office equipment	20
Furniture and fittings	20
Computers and accessories	33.33
Motor vehicles	20

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, plant 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of comprehensive income in the year the item is derecognized.

Residual values, useful lives and methods of depreciation for property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end.

2.4 Revenue recognition

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

{a} Interest income

Interest income is recognized in the statement of comprehensive income for all interest-bearing financial instruments measured at amortised cost, including loans and advances, as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated on initial recognition of the financial asset, estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts for processing and commitment fees paid or received by the company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument.

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

{b} Commissions and fees

The company earns commissions and fees from a limited range of services provided to its customers. Fee income is accounted for as follows:

- Fee income earned on processing of loans.
- Fees on collateral management
- Fee on monitoring loans and
- Commission on loan insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Interest expense

Interest expense is recognised in the statement of comprehensive income for all interest-bearing financial instruments measured at amortised cost as interest accrues using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

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

2.6 Financial instruments – initial recognition and subsequent measurement

{a} Date of recognition

Purchases and sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date the company commits to purchase or sell the asset.

{b} Initial recognition of financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

{c} Available for sale assets

Debt securities including investments in money market and equity shares, other than those classified as trading securities or at fair value through profit or loss, are classified as available-for-sale and recognised in the statement of financial position at their fair value.

Available for sale financial assets are measured at fair value on the statement of financial position, with gains and losses arising from changes in the fair value of investments recognised directly in equity, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in equity, is recognised in the statement of comprehensive income.

Interest calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the company's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

{d} Held-to-maturity assets

Held-to-maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates. Financial assets including Government of Ghana Index Linked Bond that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortised cost using the effective interest method, less impairment losses.

{e} Loans and advances

Loans and advances of customers are accounted for at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate.

Loans and advances are initially recognised when cash is advanced to the borrowers at fair value, inclusive of transaction costs.

Subsequent to initial recognition, loans and advances to customers are stated on the statement of financial position at amortised cost using the effective interest method less impairment losses. The amortization is included in 'Interest and similar income' in the statement of comprehensive income and losses arising from impairment are recognized in the statement of comprehensive income in 'Credit loss expense'.

{f} Financial liabilities

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss. Non-trading liabilities are recorded at amortised cost applying the effective interest method. Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

{g} Determination of fair value of financial instruments

i) Availability of active market

The fair value of a financial instrument traded in active markets such as the Ghana Stock Exchange (GSE) at the statement of financial position date is based on their quoted market price without any deduction of transaction costs.

ii) Non-availability of active market

Where market prices are not available, the company establishes a fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants. For private equity investments that are not publicly traded, management uses comparisons to similar companies, relevant third party arm's length transactions and other information specific to the investment.

{h} Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognized when the company's rights to cash flows has expired; or when the company has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risks and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognized when the obligation is discharged, cancelled or expired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of financial assets

{a} Framework for impairing financial assets

At each statement of financial position date, the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the fact that the debt is being restructured to reduce the burden on the borrower.

{b} Loans and advances to customers and due from banks & other financial institutions

For loans and advances to customers and amounts due from banks and other financial institutions carried at amortised cost, the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance Account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collaterals have been utilised or has been transferred to the company and all the necessary procedures have been completed. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.
The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system that considers credit risk characteristics, such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

{c} Available-for-sale financial assets

For available-for-sale financial investments, the company assesses at each statement of financial position date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income) is removed from available for sale reserve and recognised in statement of comprehensive income. Impairment losses on equity investments are not reversed through the same statement of comprehensive income. Increases in fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

2.8 Provisions

The company recognises provisions when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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

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

2.9 Regulatory general credit loss risk reserve

{a} Loans and advances

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

{b} Contingent liabilities

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

2.10 Employee benefits

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

Social security contributions

This is a national pension scheme under which the company pays 13% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees. All employer contributions are charged to the statement of comprehensive income as incurred and included under staff costs.

Provident fund

The company has a provident fund scheme for staff under which the entity contributes 10% of staff basic salaries. The entity's obligations under the plan are limited to the relevant contributions and these are settled on due dates to the Fund Manager.

2.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with up to three months' maturity from the date of acquisition, including: cash, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.12 Taxation

a) Income tax

Income tax is recognized in the statement of 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 statement of financial position 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.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each financial position 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 utilised.

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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

c) Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

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

2.13 Use of estimates and assumptions

In preparation of the financial statements, the company makes estimations and applies judgment that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgment is applied include:

Going concern

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of financial assets

The company makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets.

Impairment of non financial assets

The company assesses at least at each financial year end whether there is any evidence that non financial assets may be impaired. Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value of those cash flows.

2.14 Standards issued but not yet effective

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

IFRS 9 *Financial Instruments*
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets after 1 January 2015. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the TF Financial Services Limited is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the TF Financial Services Limited, since the company has no defined benefit plans with contributions from employees or third parties.

Annual improvements *2010-2012 Cycle*
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the company. They include:

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition
- a performance target must be met while the counterparty is rendering service
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- a performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements *2011-2013 Cycle*
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the company. They include:

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

IFRS 15 ***Revenue from Contracts with Customers***
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: ***Clarification of Acceptable Methods of Depreciation and Amortisation***
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the company given that the company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: ***Equity Method in Separate Financial Statements***
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the company's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. INTEREST AND SIMILAR INCOME

	2014 GH¢	2013 GH¢
Interest on salary loans	4,955,848	3,475,710
Interest on business loans	2,529,667	1,730,038
Interest on Investment	614,940	-
	8,100,455	5,205,748

4. INTEREST AND SIMILAR EXPENSE

	2014 GH¢	2013 GH¢
Interest on borrowings from Teachers Fund	2,467,355	1,148,752
Interest on other borrowings from Public	51,591	41,006
	2,518,946	1,189,758

5. FEES AND COMMISSION INCOME

	2014 GH¢	2013 GH¢
Loan processing fees	241,612	186,261
Loan monitoring fees	24,757	11,822
Collateral management fees	2,138	17,331
Commission on loan insurance	79,495	98,934
	348,002	314,348

6. CREDIT LOSS EXPENSE

	2014 GH¢	2013 GH¢
Salary loans	407,354	592,297
Business loans	(260,551)	(296,996)
	146,803	295,301

7. PERSONNEL EXPENSES

	2014 GH¢	2013 GH¢
Salaries and wages	1,346,624	1,232,817
Other staff costs	990,644	722,985
	2,337,268	1,955,802

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED)*
31 DECEMBER 2014

8a PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment	Furniture and fittings	Computers and peripherals	Plant and machinery	Total
Cost	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
As of 1 January 2014	282,492	77,055	199,605	342,522	101,667	1,003,341
Additions	454,141	12,870	7,137	58,421	-	532,569
Disposals	(69,184)	-	-	-	-	(69,184)
As of 31 December 2014	**667,449**	**89,925**	**206,742**	**400,943**	**101,667**	**1,466,726**
Accumulated depreciation						
As of 1 January 2014	161,546	43,398	91,518	276,451	18,219	591,132
Charge for the year	62,633	12,460	35,607	47,711	20,333	178,744
Disposal	(69,184)	-	-	-	-	(69,184)
As of 31 December 2014	**154,995**	**55,858**	**127,125**	**324,162**	**38,552**	**700,692**
Net book value						
As of 31 December 2014	**512,454**	**34,067**	**79,617**	**76,781**	**63,115**	**766,034**
As of 31 December 2013	120,946	33,657	108,087	66,071	83,448	412,209

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

8b PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment	Furniture and fittings	Computer and Peripherals	Plant & Machinery	Total
Cost	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
1 January 2013	185,390	62,801	129,817	313,536	29,518	721,062
Additions	136,792	14,254	69,788	28,986	72,149	321,969
Disposal	(39,690)	-	-	-	-	(39,690)
As of 31 December 2013	**282,492**	**77,055**	**199,605**	**342,522**	**101,667**	**1,003,341**
Accumulated depreciation						
1 January 2013	159,408	32,171	58,675	224,682	2,460	477,396
Charge for the year	31,906	11,227	32,843	51,769	15,759	143,504
Disposal	(29,768)	-	-	-	-	(29,768)
As of 31 December 2013	**161,546**	**43,398**	**91,518**	**276,451**	**18,219**	**591,132**
Net book value						
As of 31 December 2013	**120,946**	**33,657**	**108,087**	**66,071**	**83,448**	**412,209**
As of 31 December 2012	25,982	30,630	71,142	88,854	27,058	243,666

NOTES TO THE FINANCIAL STATEMENTS ***(CONTINUED)***
31 DECEMBER 2014

9. NET PROFIT/ (LOSS) FOR THE YEAR

This is stated after charging

	2014 GH¢	2013 GH¢
Director's remuneration	131,067	66,217
Directors exit payment	32,452	-
Auditors remuneration	60,160	36,800
Depreciation	178,744	143,504

10. CASH AND CASH EQUIVALENTS

	2014 GH¢	2013 GH¢	Change GH¢
Cash on hand	18,087	155,619	(137,532)
Cash at bank	3,353,850	577,439	2,776,411
	3,371,937	733,058	2,638,879

11. a. TAX RECONCILIATION

	2014 GH¢	2013 GH¢
Profit / (loss) before taxation	1,515,916	(95,695)
Add		
Depreciation	178,744	143,504
Credit loss expense	146,803	295,301
PF employer contribution	-	113,112
	1,841,463	456,222
Less		
Specific provision	39,991	-
Profit on disposal	25,280	-
Capital allowance	239,181	136,115
	1,537,011	320,107
Tax at applicable rate (25%)	384,253	80,027

The tax liabilities are subject to agreement with the Ghana Revenue Authority (GRA).

NOTES TO THE FINANCIAL STATEMENTS (*CONTINUED*)
31 DECEMBER 2014

11b. TAX PAYABLE

	Balance at 1 January	Payments during the year	Charge/(credit) to statement of comprehensive income	Adjustment	Balance at 31 December
(I) Current tax	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Income tax					
Year of assessment					
2010 to 2011	255,765	-	-	(13,102)	242,663
2012	(63,732)	-	-	(23,769)	(87,501)
2013	(58,494)	-	-	(28,278)	(86,772)
2014	-	(162,899)	384,253	(9,997)	211,357
	133,539	**(162,899)**	**384,253**	**(75,146)**	**279,747**
(ii) Deferred tax					
Accelerated depreciation	6,098	-	15,109	**(3,694)**	**17,513**
Impairment provision	(270,276)	-	(36,701)	**(147,650)**	**(454,627)**
Specific provision	-	-	-	**9,998**	**9,998**
	(264,178)	**-**	**(21,592)**	**(141,346)**	**(427,116)**
Total (i) + (ii)	**(130,639)**	**(162,899)**	**362,661**	**(216,492)**	**(147,369)**

NOTES TO THE FINANCIAL STATEMENTS ***(CONTINUED)***
31 DECEMBER 2014

12. LOANS AND ADVANCES

	2014 GH¢	2013 GH¢
Salary loans	**12,184,989**	10,184,699
Business loans	**8,198,542**	6,284,998
Total	**20,383,531**	16,469,697
Impairment provision	**(1,818,510)**	(1,671,707)
	18,565,021	14,797,990

Impairment allowance for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

2014

	Business loans GH¢	Salary loans GH¢	Total GH¢
Balance as at 1 January 2014	551,521	1,120,186	1,671,707
Charge for the year	(260,551)	407,354	146,803
	290,970	**1,527,540**	**1,818,510**
Individual impairment	(260,551)	-	(260,551)
Collective impairment	-	407,354	407,354
	(260,551)	**407,354**	**146,803**

2013

	Business loans GH¢	Salary loans GH¢	Total GH¢
Balance as at 1 January 2013	848,517	527,889	1,376,406
Charge for the year	(296,996)	592,297	295,301
	551,521	1,120,186	1,671,707
Individual impairment	(296,996)	-	(296,996)
Collective impairment	-	592,297	592,297
	(296,996)	592,297	295,301

NOTES TO THE FINANCIAL STATEMENTS ***(CONTINUED)***
31 DECEMBER 2014

13. OTHER ASSETS

	2014 GH¢	2013 GH¢
Amounts due from officers and accountable imprest	2,000	60,608
Prepayments	318,187	345,132
	320,187	405,740

14. LOANS PAYABLE

	2014 GH¢	2013 GH¢
Long term loan payable	8,270,318	-
Short term loan payable	6,960,570	8,270,318
	15,230,888	8,270,318

15. OTHER LIABILITIES

	2014 GH¢	2013 GH¢
Accounts payable and accruals	356,333	281,561
Loan insurance	19,694	1,295
Deferred income	188,913	134,878
Amount due to Customers	293,170	-
	858,110	417,734

16. INVESTMENTS

	2014 GH¢	2013 GH¢
30-day investment deposit	1,079,781	-
91-day investment deposit	1,000,000	-
	2,079,781	-

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

17. STATED CAPITAL

Authorised shares

The company is registered with 10,000,000 ordinary shares of no par value.

Issued shares

The issued shares are:

	31 December 2014		31 December 2013	
	No. of Shares	**Amount GH¢**	No. of Shares	Amount GH¢
Issued for cash	**7,000,000**	**7,000,000**	7,000,000	7,000,000

There is no share in treasury and on call or installment unpaid on any share.

18. RELATED PARTY TRANSACTIONS

	2014 GH¢	2013 GH¢
Loans to Directors	**-**	**35,777**
Borrowings from Teachers Fund	**15,158,851**	**7,298,400**

19. CONTINGENCIES

Contingent assets

There were no contingent assets as of 31 December 2014 (2013: Nil).

Contingent liabilities

There were no contingent liabilities as of 31 December 2014 (2013: Nil).

20. CAPITAL COMMITMENTS

There were no capital commitments as of 31 December 2014 (2013: Nil).

21. RISK MANAGEMENT ACTIVITIES

Risk is inherent in the company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company's continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

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

Risk management structure

The Board of directors is ultimately responsible for identifying and controlling risks.

Board of directors

The Board of directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

21. RISK MANAGEMENT ACTIVITIES (Continued)

Risk measurement and reporting systems

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

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept, with additional emphasis on selected industries. In addition, the company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, Value at Risk (VaR), liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

For all levels throughout the company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. A daily briefing is given to the Board of Managing Directors and all other relevant members of the company on the utilisation of market limits, analysis of value at risk (VaR), proprietary investments and liquidity, plus any other risk developments.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.
Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry or geographical location.
In order to avoid excessive concentrations of risk, the company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

21. RISK MANAGEMENT ACTIVITIES (Continued)

Credit risk

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counter party limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment assessment

For accounting purposes, the company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed.

Triggering events include the following:

- Significant financial difficulty of the customer.
- A breach of contract such as a default of payment.
- ☐Where the company grants the customer a concession due to the customer experiencing financial difficulty.

Individually assessed allowances

The company determines the allowances appropriate for each individually significant loan or advance on an individual basis, include any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for held–to–maturity debt investments that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

21. RISK MANAGEMENT ACTIVITIES (Continued)

Liquidity risk

Liquidity risk arises from the mismatch of the timing of cash flows relating to assets and liabilities. The liquidity policy of the company is approved by the Board and monitored daily to ensure that its funding requirements can be met at all times and that a stock of high quality liquid assets is maintained. The sources and maturities of assets and liabilities are closely monitored to avoid any undue concentration. The net liquidity gap resulting from liquidity analysis of assets and liabilities of the company as of 31 December 2014 is stated below.

Financial assets	1-30 days	31-90 days	91-180 days	181-365 days	Over one Year	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and bank balances	3,371,937	-	-	-	-	3,371,937
Short term investmens/placements	1,079,781	1,000,000				2,079,781
Loans and advances to customers	143,007	1,361,969	2,371,244	5,437,312	9,251,489	18,565,021
Other (financial) assets	101,973	224,214	-	-	421,116	747,303
Total financial assets	**4,696,698**	**2,586,183**	**2,371,244**	**5,437,312**	**9,672,605**	**24,764,042**
Financial liabilities						
Due to customers	-	904,085	1,151,027	4,905,458	8,270,318	15,230,888
Due to bank	-	-	-	-	-	-
Other liabilities	177,065	534,054	-	146,991	-	858,110
Total financial liabilities	**177,065**	**1,438,139**	**1,151,027**	**5,052,449**	**8,270,318**	**16,088,998**
Net position of assets / (liabilities)	**4,519,633**	**1,148,044**	**1,220,217**	**384,863**	**1,402,287**	**8,675,044**
Gap %	**96.23%**	**44.39%**	**51.46%**	**7.08%**	**14.50%**	**35.03%**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*
31 DECEMBER 2014

21. RISK MANAGEMENT ACTIVITIES (Continued)

The net liquidity gap resulting from liquidity analysis of assets and liabilities of the company as of 31 December 2013 is stated below.

Financial assets	1-30 days	31-90 days	91-180 days	181-365 days	Over one year	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and bank balances	733,058	-	-	-	-	733,058
Loans and advances to customers	356,187	975,858	3,752,612	4,493,146	5,220,187	14,797,990
Other (financial) Assets	252,468	314,139	-	103,311	-	669,918
Total financial assets	**1,341,713**	**1,289,997**	**3,752,612**	**4,596,457**	**5,220,187**	**16,200,966**
Financial liabilities						
Due to customers	13,600	222,010	2,820,796	5,213,912	-	8,270,318
Other liabilities	417,734	-	-	-	-	417,734
Total financial liabilities	**431,334**	**222,010**	**2,820,796**	**5,213,912**	**-**	**8,688,052**
Net position of assets / (liabilities)	910,379	1,067,987	931,816	(617,455)	5,220,187	7,512,914
Gap %	67.85%	82.78%	24.83%	(13.43)%	100%	46.37%

NOTES TO THE FINANCIAL STATEMENTS ***(CONTINUED)***
31 DECEMBER 2014

21. RISK MANAGEMENT ACTIVITIES (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations which has a fixed interest rates.

Market risk

Market risk is the risk of losses being incurred as a result of adverse movements in interest or exchange rates and arises in the company's treasury activities. Market risk is controlled by interest mismatch and foreign currency open position limits approved by the Executive Committee of the company and monitored daily.

Operational risk

Operational risk is the exposure to financial or other damage arising through unforeseen events or failure in operational processes and systems. Examples include inadequate controls and procedures, human error, deliberate malicious acts including fraud and business interruption. These risks are controlled and monitored through system controls, segregation of duties, exception and exposure reporting, business continuity planning, reconciliations, internal audit and timely and reliable management reporting. Operational procedures are documented in an Operations Manual.

22. CAPITAL MANAGEMENT

(a) Capital definition

The company's capital, ordinarily referred to as shareholders fund comprises of ordinary share capital raised through direct investment, retained earnings including current year profit and various reserves the company is statutorily required to maintain. As a non-bank financial institution, the company also has regulatory capital as defined below.

(b) Regulatory capital

Regulatory capital consists of Tier 1 capital, which comprises share capital, share deals account, retained earnings including current year profit, foreign currency translation and minority interests less accrued dividend, net long positions in own share and goodwill. Certain adjustments are made to IFRS-based result and reserves, as prescribed by the Central Bank of Ghana. The other component of regulatory capital is Tier 2 capital which includes revaluation reserves.

(c) Capital management

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

(d) Capital adequacy

The adequacy of the company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Ghana. The capital adequacy ratio of the Company as of 31 December 2014 is shown below:

Tier 1 Capital	**2014**	2013
	GH¢	GH¢
Stated Capital	**7,000,000**	7,000,000
Statutory Reserves	**1,090,107**	801,793
Regulatory Risk Reserves	**2,219,143**	2,025,155
Retained Earnings	**(1,147,919)**	(2,035,364)
Total Qualifying Tier 1 Capital	**9,161,331**	7,791,584
Tier 2 Capital		
Total Adjusted Capital	**9,161,331**	7,791,584
Risk weighted assets	**28,718,471**	20,712,391
Capital Adequacy Ratio	**31.90%**	37.62%

TF FINANCIAL SERVICES LIMITED

SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014

SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014

General, selling and administrative expenses

	2014	2013
	GH¢	GH¢
Other benefits-directors	-	563
Temporary staff	-	172,294
Staff training	15,755	9,042
Dir- salaries and allowances	163,519	66,217
Advertising	33,347	433,983
Audit fees	60,160	36,800
Bank charges	9,144	13,519
HR Consultancy	14,000	-
Business promotion	18,940	2,872
Cleaning and sanitation	16,887	8,543
Debt collection expense	82,035	129,122
Electricity	106,756	75,495
Est. non-capital consumables	2,008	3,439
Generator running expense	21,651	12,972
Incentive	1,300	2,250
Insurance	24,107	19,794
IT - repairs and maintenance	79,801	75,197
IT non-capital consumables	10,242	16,708
IT services	36,121	23,363
Legal and professional fees	5,030	3,634
Legal expense	6,768	1,792
Motor vehicle admin – repairs	35,294	42,295
Motor vehicle admin- insurance	13,258	8,652
Motor vehicle ops-fuel	13,624	8,103
Motor vehicle ops-insurance	639	1,684
Motor vehicle ops-repairs	3,067	14,289
Motor vehicle- admin	88,993	65,343
Network charges	108,405	50,977
Other direct costs	127,318	-
Other establishment cost	-	80
Other marketing cost	29	-
Other hr-cost	118,182	22,520
Postage and couriers	11,739	11,561
Printing and stationery	33,316	32,322
Protocol	12,745	39,850
Rates	16,803	4,949
Rent / Establishment	267,007	233,052
Repairs and maintenance	17,078	20,425
Balance carried forward	1,575,068	1,663,701

SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014

General, selling and administrative expenses (continued)

	2014	2013
	GH¢	GH¢
Balance brought forward	**1,575,068**	1,663,701
Security services	**46,640**	36,726
Subscriptions	**11,800**	7,258
Telephone and fax	**80,937**	95,324
Travel and transport	**48,156**	238,553
Water	**4,728**	4,003
Sales agency fees	**34**	640
Sales commission	**41,395**	912
Office maintenance expenses	**14,215**	7,541
CAGD 2% commission on recoveries	**41,595**	20,540
CAGD service charge	**550**	7,837
T and T for marketing executives	**43,532**	32,744
Telephone for marketing executives	**4,260**	3,996
	1,912,910	2,119,775

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