SMARTCASH PAYMENT SERVICE BANK LIMITED

AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2023

Contents

CORPORATE INFORMATION

Chairman	Dr. Kingsley Umadia	Independent Non Executive Director
Directors	Mr. Olusegun Ogunsanya	Non Executive Director
	Mrs. Oluseye Sandey	Independent Non Executive Director
	Mr. Jibril Aku	Independent Non Executive Director
	Jacques Barkhuizen *	Non Executive Director
	Ian Ferrao**	Non Executive Director
	Mr Ayotunde Kuponiyi ***	Managing Director/CEO

* Jacques Barkhuzen was appointed to the board of SmartCash PSB on the 29th of November 2023
** Ian Ferrao was appointed to the board of SmartCash PSB on the 26th of September 2023
*** Mr Ayotunde Kuponiyi was appointed to the board of SmartCash PSB on the 29th of February 2024

Registered Office Plot 1698A, Oyin Jolayemi Street, Victoria Island, Lagos

Auditors
Deloitte & Touché
Civic Towers
Plot GA1, Ozumba Mbadiwe Avenue,
Victoria Island,
Lagos State,
Nigeria

www.deloitte.com.ng

Company Secretary Ms. Adachukwu Ubah

Bankers
Stanbic IBTC Plc
First City Monument Bank Limited
First Bank Nigeria Limited
Ecobank Nigeria Limited
United Bank for Africa
Zenith Bank Plc
Fidelity Bank Plc

RC No. 1867774

DIRECTORS' REPORT

The Directors present their annual report on the affairs of Smartcash Payment Service Bank Limited together with the financial statements and auditors' report for the period ended 31 December 2023.

a. Legal Form

The Bank was incorporated under the Companies and Allied Matters Act as a Private Limited Liability Company on 30 November, 2021. It was licensed on 29 April, 2022 to carry on the business of financial services in Nigeria on 18 May, 2022, these services includes receiving deposits, processing payments and remittances, issuing debit and prepaid cards, operating electronic wallets, and other permissible services.

b. Principal activity

The principal activity is to operate a Payment Service Bank within the limits of such license granted by the Central Bank of Nigeria.

c. Operating Results for the year

The Company operating results for the year are as follows:

All amounts in thousands of Nigerian Naira unless otherwise stated.

Financial Highlights	**2023**	**2022**
Gross earnings	1,140,670	236,479
Loss before tax	(7,394,860)	(3,425,347)
Taxation		-
Loss after tax	**(7,394,860)**	**(3,425,347)**

d. Dividend
No dividend payment has been recommended by the directors for the period ended December 31, 2023.

e. Directors' shareholding

Shareholding	Direct Number of Ordinary Shares Held 2023 (%)
Nil	Nil

f. Property, Plant and Equipment (PPE)
Information relating to changes in property, plant and equipment is provided in Note 15 to the financial statements.

g. Shareholding analysis
The shareholding pattern of the company as at 31 December 2023 is as stated below:

Share range	**No of Shareholders**
4,999,999,636	Airtel Networks Limited
364	Airtel Mobile Commerce Holdings BV

DIRECTORS' REPORT

h. Donations and charitable gifts

No contributions, donations or charitable gifts were made to charitable organizations, political associations, or for any political purpose in the course of the period ended 31 December 2023.

i. Post balance sheet events

There were no events after the reporting date which could have a material effect on the state of affairs of the company as at 31 December 2023 and the profit for the period ended on that date that have not been adequately provided for or disclosed.

J. Employment and employees

i Employment of disabled persons

It is the policy of the Bank that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop. As at 31 December 2023, there was no disabled person in the employment of the Bank.

ii Health, safety and welfare at work

The Bank places a high premium on the health, safety and welfare of its employees in their place of work. To this end, the Bank has various forms of insurance policies, including workmen's compensation and Group life insurance, to adequately secure and protect its employees. The Bank also has Safety, Health and Environment (S.H.E.) policies that employees are required to adhere to.

iii Employee involvement and training

The Bank remains committed to engaging employees through its various online, virtual and physical communication channels through which performance on Key Business drivers are shared and recommendations received from employees.

In addition to Function-specific trainings, programmes which are targeted at enhancing Organizational Capabilities were rolled out across various employee levels. These included Project Management, Process Quality Management, and Business Analytics. Various People Management and Leadership Development interventions were also deployed, including Managerial Assessment of Proficiency (MAP), Coaching for Performance, Executive Coaching and Leadership Knowledge Series."

k. Business ethics and compliance

The Bank has instituted a sound Business Ethics and Compliance Code, which ensures that its business is conducted in conformity with highest ethical principles, standards, and integrity. It continually creates ethical awareness amongst its directors, officers, and business partners to ensure full compliance with Nigerian and applicable international laws and conventions on anti-corruption, anti-money laundering and anti-terrorism.

DIRECTORS' REPORT

l. Auditors

The Auditors, Deloitte & Touché have indicated their willingness to continue in office as auditors. In accordance with Section 357(2) of the Companies and Allied Matters Act, CAMA 2020, a resolution will be proposed at the Annual General Meeting for their reappointment and to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Ms Adachukwu Ubah
Company Secretary
Plot 1698A Oyin Jolayemi Street
Victoria Island
Lagos.

27 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its profit or loss and other comprehensive income in the manner required by the Companies and Allied Matters Act, 2020 and the BOFIA Act 2020. The responsibilities include ensuring that the Company:

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the BOFIA Act;

ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in compliance with:

- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- the requirements of the BOFIA Act 2020;
- relevant guidelines and circulars issued by the Central Bank of Nigeria (CBN);
- the requirements of the Companies and Allied Matters Act,2020; and
- Financial Reporting Council of Nigeria Act

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Jibril Aku	**Mr. Ayotunde Kuponiyi**
Director	*Managing Director*
FRC/2013/CIBN/00000001879	FRC/2022/PRO/DIR/003/00000024129
27 March 2024	27 March 2024

CERTIFICATION PURSUANT TO SECTION 405 OF THE COMPANIES AND ALLIED MATTERS ACT, 2020

We the undersigned hereby certify the following, with regards to our audited financial statements for the year ended 31 December, 2023, that:

We have reviewed the audited financial statements and based on our knowledge:

- The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We:

- are responsible for establishing and maintaining internal controls;
- have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the company, particularly during the period in which the audited financial statement report is being prepared;
- have evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements and;
- certify that company's internal controls are effective as of that date.

We have disclosed the following to the Company's auditors and Board Audit Committee:

- all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarize and report financial data, and has identified for the company's auditors any material weaknesses in internal controls, and
- any fraud, whether material or not, that involved management or other employees who have a significant role in the company's internal control; and
- we have identified in our report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Mr. Ayotunde Kuponiyi	**Mr. Uchenna Aniamalu**
Managing Director	*Financial Controller*
FRC/2022/PRO/DIR/003/00000024129	FRC/2021/PRO/00000022834
27 March 2024	27 March 2024

CORPORATE GOVERNANCE REPORT

Pursuant to the provisions of the Corporate Governance Framework of Smartcash Payment Service Bank Limited, we hereby report the activities of the Board during the year ended December 31, 2023.

The Corporate Governance Framework allows the Board to effectively perform its task of overseeing the Management to ensure corporate fairness, transparency, and accountability in the management of the Company.

The framework defines the role and duties of the Directors and the qualities required of the members of the Board of Directors. The framework also defines the Board Organization and Governance Structure. The Board carries out its oversight functions through its various Committees.

Composition of the Board of Director's

The Board of Smartcash Payment Service Bank Limited is made up of seven (7) members; one (1) of whom is an Executive Director and three (3) Non-Executive Directors, and three (3) Independent Non-Executive Directors (INED) including the Chairman of the Board.

Separation of Chairman and CEO'S position

The roles of the Chairman and Managing Director/Chief Executive Officer (CEO) have always been separated and no one individual combines the two positions. The Managing Director/CEO is empowered by the Board to manage the day-to-day responsibilities of the Company.

The Board's Accountabilities and Responsibilities

The Chairman leads and manages the Board to ensure that it discharges its key functions effectively such as:

1. Reviewing and approval of the strategy of the Company as presented by the Management from time to time;
2. Ensuring the integrity of the Bank's accounting and financial reporting systems;
3. Establishing policies and guidelines on the succession of the Managing Director;
4. Ensuring that the Bank has strong financial controls and reporting;
5. Communicating with shareholders;
6. Ensuring proper accountability and responsibility of the Board and its Committees;
7. Maintaining ethical standards and compliance with applicable laws.

Board Committees

The Board functions through Board Committees namely:

1. Audit and Risk Committee

The Audit and Risk Committee reviews the effectiveness of the Company's systems of accounting and internal controls to ensure that the accounting and reporting policies are in accordance with legal and ethical practices. The Committee is also responsible for oversight of the Company's risk profile, risk management framework, and the risk-reward strategy determined by the Board. The coverage of supervision includes the following: strategic risk, business/market risk, operational risk, legal risk, compliance risk, and regulatory risk.

CORPORATE GOVERNANCE REPORT

The Committee is a two-man committee and comprises of two Independent Non-Executive Directors. A representative of the Executive Management is also always in attendance in all the Committees' meetings. The Committee is chaired by an Independent Non-Executive Director. Any two present constitute a quorum.

S/N	Name of Director	Designation	Position
1	Mr. Jibril Aku	Independent Non-Executive Director	Chairman
2	Mrs. Oluseye Sandey	Independent Non-Executive Director	Member

2. Governance Committee

The Governance Committee is responsible for overseeing and running the bank in line with defined objectives, ethics and culture of the bank. The Committees are also tasked with the responsibility to identify, analyze, synthesize and make recommendations on risks arising from day-to-day activities, accountable for performance and retains overall responsibility of the bank it governs.

The Committee is headed by an Independent Non-Executive Director with a Non-Executive Director as member. Muyiwa Ebitanmi who was previously a member of the committee but who resigned his appointment on the 7th of December 2023 will be replaced in due course. Any two present constitute a quorum.

S/N	Name of Director	Designation	Position
1	Mrs. Oluseye Sandey	Independent Non-Executive Director	Chairperson
2	Mr. Olusegun Ogunsanya	Non-Executive Director	Member

3. Remuneration Committee

This Committee assists the Board in fulfilling its oversight responsibilities by providing appropriate advice and recommendations on matters relevant to the Committee's Charter in order to facilitate decision making. The committee determines the required role and capabilities for particular appointment, identify suitable candidate to fill board vacancies, establish the process for the orientation and education of new Directors and develop policies to facilitate continuous education and development of Directors.

The committee also gives full consideration to appropriate board and senior management succession planning, review remuneration for the Directors and senior management, approve special welfare schemes and proposals, review and ratify promotions for top management staff and consider disciplinary matters involving top management staff including Directors.

The Committee is made up of one Non-Executive Director and one Independent Non-Executive Director. A representative of the Executive Management is in attendance in all the Committees' meetings. The Committee is chaired by a Non-Executive Director. Any two present constitute a quorum.

S/N	Name of Director	Designation	Position
1	Ian Ferrao	Non-Executive Director	Chairman
2	Mr. Jibril Aku	Independent Non-Executive Director	Member

CORPORATE GOVERNANCE REPORT

4. Board Information Communication and Cybersecurity Committee

The Committee's role and responsibilities shall include the following:

Assist the Board in its supervision of compliance with the ICT framework and governance principles set out by the Regulator as well as other general corporate governance codes applicable to the Company. Recommend to the Board enhancements to the company's ICT and Cybersecurity structure in the interest of the Company; Ensure that the Company maintains the required infrastructure, to serve the business objective of the organization in line with best practices. Monitor the effectiveness of the ICT/cyber security policies and practices through reports from management that could occur through internal or external sabotage or system vulnerabilities and could potentially result in customer data breaches and/or service downtimes. Provide oversight over key metric from management on cybersecurity, technology and information systems.

Periodically review, and as appropriate make recommendations to the Board, regarding the Company's budget, investments, training, and staffing levels as they relate to cybersecurity, technology, and information system; and Review annually the appropriateness and adequacy of the Company's cyber insurance coverage.

The Committee is made up of one Non-Executive Director and one Independent Non-Executive Director. A representative of the Executive Management is in attendance in all the Committees' meetings. The Committee is chaired by a Non-Executive Director. Any two present constitute a quorum.

S/N	**Name of Director**	**Designation**	**Position**
1	Mr. Jacques Barkhuizen	Non-Executive Director	Chairman
2	Mr. Jibril Aku	Independent Non-Executive Director	Member

CORPORATE GOVERNANCE REPORT

Frequency of Board / Board Committee Meetings
The Board and its Committees met between 1st January 2023 and 31 December 2023 as follows:

Directors	Status	Board of Directors	Audit & Risk Committee	Governance Committee	Remuneration Committee	Information & Communication Technology (ICT) and Cyber security Committee
Dates of Board and Board Committee meetings held from January – December 2023		17-Feb-23	17-Feb-23	17-Feb-23		
		8-Jun-23	24-Jul-23	24-Jul-23		
		31-Jul-23				
		21-Nov-23	15-Nov-23	13-Nov-23	17-Nov-23	13-Nov-23
Dr. Kingsley Umadia	Independent NED	4	N/A	N/A	N/A	N/A
Mr. Olusegun Ogunsanya	NED	4	N/A	3	N/A	N/A
Mrs. Oluseye Sandey	Independent NED	4	3	3	N/A	N/A
Mr. Muyiwa Ebitanmi *	MD/CEO	4	2	1	N/A	N/A
Mr. Jibril Aku	Independent NED	4	3	N/A	1	N/A
Mr. Jacques Barkhuizen	NED	1	N/A	N/A	N/A	1
Mr. Ian Ferrao	NED	1	N/A	N/A	1	N/A
Mr. Ayotunde Kuponiyi	MD/CEO	N/A	N/A	N/A	N/A	N/A

* Mr Muyiwa Ebitanmi resigned his appointment as the MD/CEO on the 9th of December 2023. He has been replaced by Mr.Ayotunde Kuponiyi

The Bank is committed to monitoring and continually improving the protection of data to meet it's privacy responsibilities to customers, staff, vendors and regulators, and to reduce expenses to legal sanction, operational loss, or reputational damage. The Bank handles data, particularly Personal Data, in the most effective manner to support and maintain its operating model.

CORPORATE GOVERNANCE REPORT

Whistle-Blowing Policy
The Bank's Whistle-Blowing Policy is available to all employees including third parties acting for or on behalf of the business. The policy is designed to encourage the disclosure of information by employees and third parties about suspected dangers and wrongdoing that could harm the Bank, a partner, an employee and/or external stakeholders in any way.

Bribery and Corruption
All employees and stakeholders of the Bank are expected to act with integrity and the highest standards of ethical business conduct that they comply with the law.. The Bank's principles against bribery and corruption are reinforced in the Bank's Anti-bribery and corruption policy. The Bank has processes in place to prevent everyone including directors, management, employees, temporary employees, customers, vendors, suppliers, and any other person conducting business with the Company from engaging in any form of corrupt activity.

Internal Control
All employees of the Bank are provided with a common understanding of internal control responsibilities including basic principles of internal control covering all areas of the Bank's operation, as well as strategic business units. This is to ensure that the Bank operates ethically and in compliance with laws and regulations, safeguarding the assets, preventing and detecting fraud, ensuring completeness and accuracy of supporting accounting records and providing assurance to the Bank.

Exit of Director
Mr Muyiwa Ebitanmi resigned his appointment as the MD/CEO on the 9th of December 2023. He has now been replaced by Mr. Ayotunde Kuponiyi

Ms Adachukwu Ubah
Company Secretary
Plot 1698A Oyin Jolayemi Street
Victoria Island
Lagos.

27 March 2024

ENTERPRISE RISK MANAGEMENT DISCLOSURE

OVERVIEW OF 2023

Executing on the vision and mission of the Payment PSB to achieve the set objectives entails effective identification and management of a wide range of risks spanning strategic and operational as well as financial and non-financial. The Bank is exposed to internal and external risks as part of its ongoing operations to create and maintain value for stakeholders, and hence managing risk was imperative in supporting the execution and realization of its strategy. These risks were managed as part of the business model, through alignment of risk management framework to changes in the operating environment, instilling a risk-aware culture throughout all levels of the Bank, proactively and continuously adapting, and improving our risk management capabilities.

This was achieved through the deployment of the Enterprise Risk Management Framework which provides the Bank with an effective mechanism for developing and embedding risk policies and risk management strategies aligned with the risks faced by its businesses. Our risk management strategy is to maintain the Bank's stability and support the achievement of its business objectives.
The process for risk identification, measurement and control was integrated into the overall framework for risk governance. Risk identification processes are forward-looking to ensure emerging risks are identified and mitigated appropriately.

We managed the risks by:

1. Taking a holistic forward-looking view to identify the risks we face.
2. Assessing threats and opportunities in our operating environment.
3. Being consistent in our approach to risk management, with guidance from our risk management framework.

The Enterprise Risk Management Department supports the Board in formulating risk appetite, strategies, policies, and limits. It provides review, oversight, and support functions throughout the Bank on risk related items.

During 2023 we revised and enhanced the Enterprise Risk Management Framework (ERMF), putting in place a robust risk management process. The ERMF sets out the Bank's approach to identification, assessment, monitoring, mitigation, and reporting risks that can positively or negatively impact achievement of the Bank's Strategic Plan and/or the continuing operations. The ERMF enables forward-looking risk management and risk-informed decisions across all levels of the Bank, thereby maximizing gains while avoiding unnecessary losses, and is anchored on a risk culture cultivated by the Board, that encourages open communication and transparency on all aspects of risk management.

The Bank applied the Three Lines of Defense model to the day-to-day risk management activities, driving ownership and accountability. Subsequently, the Bank strives for a sound risk culture and adherence to its principles to effectively manage risks, promote a culture of integrity, high ethical standards and achieve compliance with internal policies, procedures as well as laws and regulations.

During the period, the Bank identified and mitigated the below material risks;

1. In the face of rapid changes in the cyber security landscape globally we increased focus on the security of our technology systems and the data they contain. The Board approved the enhanced information and cybersecurity policies to strengthen the prevention and protection, monitoring and detection, response, and recovery, as well as governance, risk and control. The Board and all staff were trained on cybersecurity program, with quarterly bulletins issued to all employees. Mandatory cybersecurity e-

ENTERPRISE RISK MANAGEMENT DISCLOSURE

learning was completed by all staff and anti-phishing exercises performed to enhance cybersecurity awareness.

2. There was concerted effort to minimize service interruptions by stabilizing our systems. This was achieved by investing in new software and upgrading IT infrastructure. The Bank came up with strategies to improve the stability and availability of IT systems to support the rapid growth in customer transaction volumes as digital products and services continued to be rolled out. The Board Information and Technology Committee was regularly updated regarding the progress of key technology improvement programs to minimize technology interruptions and transaction failures.

3. In the fight against financial crime, we strengthened our capacity by hiring an MLRO, revised AML/CFT policies as well as strengthened KYC procedures, ramping up training and enhancing automated systems for customer and transaction screening and transaction monitoring. We continue to enhance the safety and security of digital and third-party channels to control risks associated with AML & CFT and sanctions.

4. We increased focus on third party risk management and business continuity management. We identify, assess, and control the risks presented throughout the lifecycle of the relationship with third parties, in particular the providers of technology.

5. To increase our footprint in a highly competitive environment with the potential for aggressive competition by existing players, or the entry of new players, we rolled out various innovations and simplified the customer experience, developed adequate digital solutions in line with changing customer needs and competitive landscape.

6. We operate in a diverse and dynamic legal and regulatory environment. While the Bank makes every effort to comply with its legal and regulatory obligations in line with the Bank's risk appetite, we are however continually faced with an uncertain and constantly evolving legal, regulatory, and policy environment.

7. The Bank was exposed to the risk of adverse currency fluctuations and the macroeconomic conditions leading to reduced disposable income which are channeled through the banking channels. We derive revenue and incur costs in local currencies where we operate, but we also incur costs in foreign currencies, mainly technology service providers. That means adverse movements in exchange rates between Naira and US dollar negatively affected our liquidity and financial condition. This also impacts our ability to make timely foreign currency payments to our international suppliers.

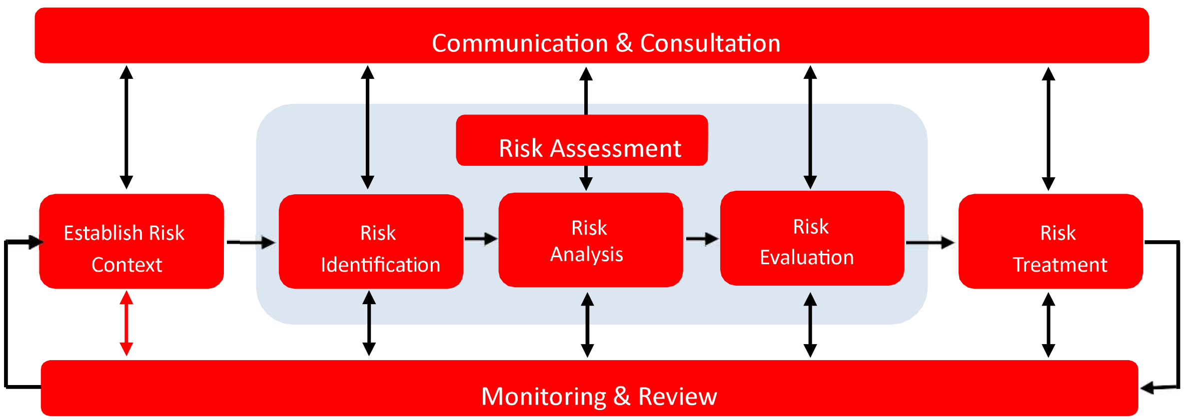
ENTERPRISE RISK MANAGEMENT DISCLOSURE

RISK MANAGEMENT PROCESS

1. Overview

The Enterprise Risk Management process at SmartCash seeks to comply with Central Bank of Nigeria (CBN) best practices on Enterprise Risk Management and comprises of four (4) key parts – Analyzing the organization to establish the risk context, Risk assessment, Risk treatment and Monitoring & Review. Effective communication and consultation with key stakeholders are important at all stages of the process.

Our Risk Management process is illustrated in the below diagram:



2. Risk identification, assessment, and management

Effective risk management requires a comprehensive process to identify risks and assess their materiality. Risk identification and assessment is performed on an ongoing basis through transaction assessment, monitoring and reporting current trends and analysis, assessment of new products and initiatives, control testing and process reviews. This helps address major current or emerging threats to the business plan and strategic objectives. Risks are captured and measured using consistent methodologies and expressed either qualitatively or quantitatively against the defined overall risk appetite as well as the specific limits or triggers. The measurement of risks includes the application of stress testing and scenario analysis and considers whether relevant controls are in place before risks materialize. In quantifying risk, the Bank generally endeavors to aggregate risks at the entity level or the Bank as a whole. Accordingly, risk quantification and measurement are performed consistently at all operating entities in the Bank, to the extent possible based on appropriate, accepted methods and models. A range of tools or measurement methods are used, including expert assessments to examine exposures from different perspectives. Where set thresholds are breached, clear actions are put in place including time frames required to resolve the breaches to bring risk within acceptable tolerance levels. All key controls are recorded and assessed on a regular basis, in response to triggers. Control assessments consider both the adequacy of the design and operating effectiveness of controls. Where a control is not effective, the root cause is established, and action plans implemented to improve control design or performance. Control effectiveness against all inherent risks is reported and monitored. Effective risk identification and assessment forms the foundation for successful and efficient risk response and mitigation. This helped the Bank determine the most expected future risk combinations, combinations with extreme outcomes, influential risks, and a sense of how the risk might spread. In this way, we can effectively respond to risk by efficiently focusing and allocating resources where it is needed most.

3. Risk monitoring and reporting

The Bank actively monitors the risk control measures by following the trends of the risks and their risk levels. Risk reporting provides senior management with the information they need to respond to and manage risks.

Risk mitigation or treatment plans need are continuously monitored to ensure residual risks are managed within the Bank's risk appetite. The effectiveness of the Bank's risk management strategy requires continuous monitoring and review of the appropriateness of the risk criteria, analysis, treatment, and the risk management framework altogether.

Business/Functional Heads in first line of defense and Risk & Compliance functions in second line of defense continuously perform risk management reviews and report emerging and new risks to the ERMC and material risks to BARC with adequate mitigation plans.

RISK GOVERNANCE

The Board of Directors has ultimate responsibility for risk management. It is supported and advised by the Audit and ALCO Committee which oversees the management of current and future risks in line with the risk appetite approved by the Board.

The Bank has a structure of decision-making bodies that cover all significant risks and perform control and oversight of risk decisions. Risk management is performed based on a global view of the Bank's activity, with due attention to the activities in each department with potential significant exposure to the Bank.

The Board of Directors has instituted a culture of compliance and risk management which is articulated through the Bank's code of conduct, values, policies, procedures, training, and the risk appetite statement. The Board provides oversight on the management of risks and approves the strategies, policies and appetite statements that govern the Bank's operations. Governance is maintained through delegation of authority from the Board to individuals through the management hierarchy.

Senior executives are supported where required by a committee-based structure which is designed to support an effective information escalation path and support effective decision-making. The interaction of the Board and senior management governance structures relies upon a culture of transparency and openness that is encouraged across the Bank by both the Board and senior management. This ensures that escalated issues are promptly addressed, and remediation plans are initiated where required. Line managers are directly accountable for identifying and managing risks in their areas of operation, ensuring that business decisions strike an appropriate risk and reward balance and are consistent with the Bank's risk appetite.

ENTERPRISE RISK MANAGEMENT DISCLOSURE

Responsibilities of the Board

The Board of Directors are responsible for delineating the overall risk management strategy and providing oversight on implementation of the risk management framework of the Bank.
Main duties of the Board of Directors around risk management include:

- Approving the risk appetite and risk capacity framework of the Bank.
- Approving risk-management policies consistent with the risk appetite framework, including the establishment of risk limits in the various areas of activity.
- Providing clear guidance to senior management with regard to risk management, based on the recommendations of the executive committee, headed by the Bank MD & CEO, and ensuring that senior management takes the necessary actions in order to identify, measure, monitor, and control risks.
- Approving methodologies for risk assessment and control, and for the allocation of capital in respect of risks.
- Providing oversight over the implementation of the established risk-management policies; examining the actual risk profile and examining the processes and actions that the Bank must apply to comply with all regulatory directives concerning risk management.
- The Board reviews the Bank's internal control policies and ensures that reasonable steps are taken by management to ensure that adequate systems are being maintained. The Board has put in place a comprehensive risk management framework to identify all key risks, measure these risks, manage the risk positions, and determine capital allocations.

Executive Risk Management Committee

The Committee which comprises senior management of the Bank, is chaired by the Chief Risk Officer and is responsible for reviewing risk and compliance issues to ensure all material risks inherent in the activities of the Bank are identified and managed in accordance with the risk appetite. The committee ensures that material risks are reporting to the Board Audit and Risk Committee of the Bank.

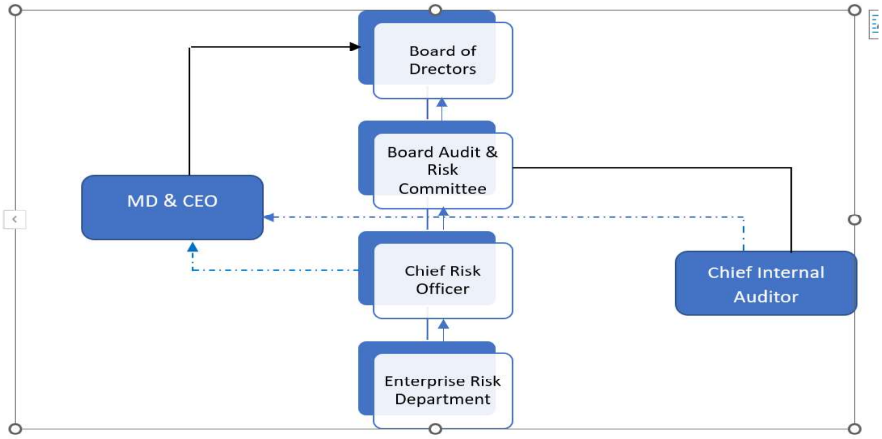
Assets and Liabilities Committee (ALCO)

The Committee which comprises senior management of the Bank, is chaired by the Chief Executive Officer and is responsible for reviewing pricing of assets and liabilities to ensure that yields are optimized, funding costs minimized, while keeping the balance sheet structure consistent with the strategy of the Bank.

Bank Risk Management Organizational structure

The below diagram depicts the Bank Risk management structure.

ENTERPRISE RISK MANAGEMENT DISCLOSURE



THREE LINES OF DEFENSE MODEL

Effective risk management requires firm-wide risk governance. Our risk and control structure is based on the three lines of defense model. Each line has a specific role and defined responsibilities, with the execution of tasks being distinct from the control of these same tasks. The three lines work closely together to identify, assess, and mitigate risks.

1. **The first line of defense** includes the business units within the departments, including support and operational functions, that create or take risks, as well as the internal control units within the departments that provide internal control over the risk creators and risk takers. The management of the business lines have primary responsibility for risk decisions, that is identifying, measuring, monitoring, and controlling risks within their areas of accountability.

   They are required to establish effective governance and control frameworks for their business to be compliant with Bank policy requirements, to maintain appropriate risk management skills, mechanisms, and toolkits, and to act within Bank risk appetite parameters set and approved by the Board.

2. **The second line of defense** consists of the control units at the Risk Management and Compliance Departments of the Bank, which are independent of the business departments. This line is responsible for providing oversight and independent constructive challenge to the effectiveness of risk decisions taken by business management, providing proactive advice and guidance, reviewing, challenging, and reporting on the risk profile of the Bank and ensuring that mitigating actions are appropriate.

3. **The third line of defense** consists of Internal Audit, which operates independently and objectively. Its goals include assisting the organization in achieving its goals through supervision and ensuring that the instructions of the Board of Directors and senior management are implemented and making recommendations for the reduction of risks through improved controls.

STRESS TESTING

The Bank undertakes scenario analysis at various levels under a forward-looking approach that helps the Bank anticipate potential impacts on the financial robustness of the Bank, taking into consideration the existing balance sheet, business plans, current economic conditions, and outlook.

The Bank implements a set of internal stress tests, updated on a regular basis, with the aim of assessing key risk focal points, considering various developments in the Bank's operating environment. Where indicators of the stress test fall below the necessary level, the Bank reconsiders and revises its appetite and business plans.

Our objectives for stress testing include:

- Inform the setting of risk appetite by assessing the underlying risks under stress conditions.
- Identification of risk concentrations and potential weaknesses in the Bank's portfolio.
- Examination of the effect of strategic decisions of the Bank.
- Integration in the planning process and examination of the effects of the business plan on potential exposures.
- Examination of the financial robustness of the Bank and evaluation of the potential damage that may be caused by extreme events of various types.
- Analysis of the sensitivity of the Bank to shocks or exceptional but possible events.
- Assessment of the materiality of the various risks.
- Examination of the Bank's compliance with its risk appetite and risk capacity.
- Support for the formulation of liquidity contingency plans in order to minimize the damage of extreme events.

RISK CULTURE

Effective risk management requires a strong, robust, and pervasive risk culture where every Bank employee understands and recognizes their role as a risk manager and is responsible for identifying and managing risks. The Bank maintains a risk culture that aids awareness of risk and appropriate behavior and judgment in connection with risk taking in the context of corporate governance, supporting effective risk management, promoting appropriate risk taking, and ensuring that emerging risks are identified, assessed, escalated, and addressed in a timely manner. The risk culture embedded at the Bank emphasizes the following principles:

- Direct responsibility of all employees for risks that they take within their authority.
- Demonstration of highest levels of integrity, transparency, and proactivity in disclosing and managing all types of risks.
- Identification and assessment of current and emerging risks, open discussion of these and prompt response actions.
- Achieving a proper balance between risk and reward, subject to the risk appetite.
- Deploying an effective system of controls consistent with the size and complexity of the Bank.
- Providing oversight and challenge and taking decisions in a timely manner.
- The ability of the available tools to measure risks correctly, and the justifications for taking risks.
- Monitoring violation of limits and divergence from established policies and applying them.
- Proportional disciplinary proceedings, as necessary.

BANK'S KEY / PRINCIPAL RISK TYPES

The Bank's activities are exposed to various risks of which the key ones are highlighted below:

1. **Compliance risks** resulting in negative impact to business activities, adverse impact to customers and other stakeholders, or regulatory relationships through failure on our part to comply with laws or regulations. The Bank holds that Compliance is not just the responsibility of specialist compliance staff, but it is a part of the culture of the Bank and an integral element of the Bank's entire scope of activities. It is therefore the responsibility of every business and support function and of each and every member of staff to conduct business in compliance with all applicable requirements. Management has implemented systems and processes to ensure adherence to the law, Banking charter and policies. The

ENTERPRISE RISK MANAGEMENT DISCLOSURE

Bank is committed to transparent management that emphasizes accountability, disclosure, and compliance with all relevant laws, regulations, and standards of practice.

2. **Financial crime risks** leading to legal or regulatory penalties, material financial loss or reputational damage due to failure to comply with applicable laws and regulations relating to anti-money laundering, and international and domestic sanctions. The Bank remains committed to strictly upholding and complying with international rules and standards on Anti Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Preventing Proliferation Financing (PPL). The Bank, through its AML, KYC and Sanctions policies has implemented a robust AML, CFT and PPF compliance program aligned to international best-practice. The program is overseen by an independent Money Laundering Reporting Officer (MLRO). The Bank's AML/CFT/PPF program is benchmarked to international best practice, while maintaining compliance with the regulatory requirements in Nigeria.

3. **Information and cybersecurity risks** relating to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems. The Information Security policy governs the management and security of data and the information systems that handle these data. The Bank understands that information is an important business asset and to be suitably protected from a growing variety of threats and vulnerabilities to ensure business continuity, minimize business risk, and maximize return on investments and business opportunities. The Bank's information assets are protected against current and emerging sources of threats including but not limited to Cybercrime, Computer-assisted fraud, Espionage, sabotage, Malicious software, computer hacking, and denial of service attack.

4. **Operational risks** due to inadequate or failed internal processes, people, and systems or from external events including legal risks. The Bank manages Operational Risk via a comprehensive operational risk management framework, and is supported by an established network of systems, policies, standards, and procedures. As part of this framework, the Bank has defined its operational risk appetite and has established a Risk and control assessment process to help Departments to self-assess on significant operational risks and controls, identify, and address any gaps in the design and/ or operating effectiveness of internal controls that mitigate significant operational risks.

5. **Technology risks:** IT systems and infrastructures play a critical role in enabling the achievement of the Bank's strategic objectives and operational activities. ICT risk arises from inadequate information technology/systems, inadequate ICT policy and strategy or inadequate use of the Bank's information and communication technology. The Bank maintains an Information Risk Management Framework which governs the protection of Banks's information assets from all threats, whether internal or external, deliberate, or accidental, to ensure business continuity, minimize business damage and maximize return on investments and business opportunities. The objective of the policy is to protect the Bank, its staff, customers and other third parties from information risks where the likelihood of occurrence and the consequences are significant.

6. **Fraud risks** due to the intentional acts, misstatements, or omissions of internal or external parties, including misrepresentations that knowingly or recklessly mislead or attempt to mislead, with a view to obtaining a financial or other benefit or to avoid an obligation. Fraud includes all those activities involving dishonesty and deception that can drain value from the business, directly or indirectly, whether or not there is personal benefit. The Bank Fraud Risk Policy/framework covers both internal and external frauds, and aims to reinforce the Bank values and in this regard has a "Zero Tolerance" approach to fraud. The Bank is committed to ensuring that a fraud free environment exists, and high ethical standards are upheld in the organization.

ENTERPRISE RISK MANAGEMENT DISCLOSURE

7. **Capital risks** resulting in insufficient capital to carry out the Bank's strategy and satisfy regulatory capital adequacy requirements. In planning and managing the Bank's capital, we pursue an active approach to capital management through ongoing review, and Board approval of the level and composition of our capital base against key policy objectives.

8. **Strategic risk** is material present or future risk to profits, capital, reputation, or status that may be caused by changes in the business environment; faulty business decisions; improper implementation of strategy or business decisions; or failure to respond to changes in the industry (e.g., competitors' actions), the economy, or technology. Strategic risk is a function of the comparison of the organization's strategic objectives with its environment, adaptation of the business plans that it develops to achieve these objectives, resource allocation, and quality of implementation. The strategic plan of the Bank is approved by the Board of Directors and examined and adjusted annually to the prevailing changes in the business environment in Nigeria and globally, changes in the Bank's competitive environment, and changes in the Bank's objectives.

ENTERPRISE RISK MANAGEMENT DISCLOSURE

9. **Liquidity risks** resulting in insufficient stable or diverse sources of funding to meet financial obligations as they fall due, without raising funds at unfavorable rates or resorting to distressed sale of assets or central Bank support. Liquidity risk is monitored through the liquidity ratio or limits as well as the review of the funding analysis looking at any funding borrowing and deposit concentration.

Assets	**0 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**91 - 180 Days**	**181 - 365 Days**	**Above 365 Days**	**Total**
Cash and cash equivalents	4,312,748	-	-	-	-	-	**4,312,748**
Financial Instruments	-	243,939	-	-	2,129,699	-	**2,373,638**
Other assets	1,856,011	-	-	-	-	-	**1,856,011**
Property, plant and equipment	-	-	-	-	-	4,941,107	**4,941,107**
Intangible assets	-	-	-	-	-	1,186,325	**1,186,325**
Total	**6,168,759**	**243,939**	**-**	**-**	**2,129,699**	**6,127,432**	**14,669,829**
Liabilities							
Deposits from customers	5,454,058	-	-	-	-	-	**5,454,058**
Accrual and Provision	1,168,620	-	-	-	-	-	**1,168,620**
Other liabilities	1,294,475	-	-	-	-	12,572,884	**13,867,358**
Equity	-	-	-	-	-	**(5,820,207)**	**(5,820,207)**
Total liabilities & Equity	7,917,152.26	-	-	-	-	6,752,676.36	**14,669,829**
Gap	**(1,748,393)**	**243,939**	**-**	**-**	**2,129,699**	**(625,244)**	**-**

ENTERPRISE RISK MANAGEMENT DISCLOSURE

10. **Market risks** caused by adverse movements in market factors such as interest and exchange rates, or other prices affecting activities undertaken by the Bank. The Bank's policy is to optimize reward whilst managing its market risk exposures within the risk appetite defined by the Board. Market Risk exposures arising from the trading book are managed by the Treasury Department whilst those arising from the non-trading activities are managed through Asset and Liability Management (ALM). Oversight of market and liquidity risk is provided by the Asset Liability Committee (ALCO).

11. **Credit risks** Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Bank is exposed to credit risk from its operating activities primarily from financing activities on the part of the Bank including cash and cash equivalents with banks and financial institutions and other financial instruments.

12. **Conduct risks** resulting in detriment to the Bank or its customers, investors, shareholders and other stakeholders from inappropriate supply of financial services or through willful or negligent misconduct. The Bank is exposed to both intentional and unintentional misconduct risks. The Bank endeavors to minimize conduct risk through maintaining effective Risk Management Frameworks incorporating a set of Good Conduct Principles and by promoting an appropriate organizational culture. This is complemented by the various Bank policies, processes and practices aligned to the Risk Management Framework. The Bank's ongoing commitment to good customer outcomes sets the tone from the top and supports the development of the right customer-centric culture, strengthening links between actions to support conduct, culture and customer and enabling more effective control management.

13. **Reputational risks** due to negative perceptions on the part of customers, counterparties, investors, debtholders, regulators and other stakeholder, whether justified or not, regarding the Bank's business practices, actions, or inactions, will adversely affect the Bank's ability to maintain existing, or establish new business relationships and continued access to sources of funding leading to a decline in the institution's value, brand, liquidity, or customer base.

    The Bank values its good reputation and protects its Brand through monitoring Reputational risks and their drivers, as well as through continuous media monitoring. All staff and other parties working for or on behalf of the Bank are called upon to uphold ethical business conduct in all their business dealings.

14. **Environmental and Social risks** due to failure to identify and manage climate change risks including extreme weather events, long-term progressive shifts of climate, transition towards a lower-carbon economy and activities having negative environmental impacts.

    Each of the above-mentioned Key or Principal Risk Types is managed through distinct Risk Type Frameworks and/or policies that document the overall risk management approach to ensure resilience to risk events.

    The second line of defense is responsible for maintaining the Risk Type Frameworks and/or policies and providing oversight and challenge of risk management activities performed by the First Line of Defense.

ENTERPRISE RISK MANAGEMENT DISCLOSURE

RISK RATING MATRIX
A Risk Rating Matrix is established considering both the likelihood & impact of the risk. The risk rating matrix is a product of the risk likelihood scores and the risk impact scores as captured in the below table:

Risk Rating Matrix

		Risk Impact/Consequence			
Likelihood of Occurrence		Minor	Moderate	Significant	Extreme
	Score	1	2	3	4
Almost Certain	4	4	8	12	16
Likely	3	3	6	9	12
Possible	2	2	4	6	8
Unlikely	1	1	2	3	4

Risk Matrix Definition

Rating	Risk Rating Definition & Action Required	Risk Rating value
Critical	The identified risk / gap requires immediate attention and will require executive sponsorship and monitoring for mitigation. Delay in addressing the issue could result in a significant and irreversible impact on profitability, enterprise value, brand value, operations, or regulatory compliance	12 – 16
High	The identified risk / gap requires mitigation within the short term and will require executive sponsorship and function head monitoring for litigation. Delay in addressing the issue could result in a significant impact on profitability, enterprise value, brand value, operations, or regulatory compliance	6 – 11
Medium	The identified risk / gap requires mitigation within the medium term (3 – 6 months) and will require function head sponsorship and monitoring for rectification. Delay in addressing the issue could result in a moderate impact on profitability, enterprise value, brand value, operations, or regulatory compliance	3 – 5

ENTERPRISE RISK MANAGEMENT DISCLOSURE

Low	The identified risk / gap requires mitigation within the long term (6 – 12 months) and will require function head sponsorship and process owner monitoring for rectification. Delay in addressing the issue could result in a limited impact on profitability, enterprise value, brand value, operations, or regulatory compliance	1 – 2

In determining the overall risk score, the ratings for impact and probability are aggregated and used to determine the appropriate level of risk response required. The risk severity ratings are also used to distinguish significant risks from those that are less so, and therefore assists with efficient response and resource allocation. The responses considered include doing nothing further, considering how to treat the risk, undertaking more analysis of the risk to better understand it, maintaining current controls, or reconsidering what objectives are being pursued. The risk profile is reviewed on an ongoing basis, and along with the risk appetite, determine the strategic direction for the Bank and provide boundaries for strategic, business, and operational decision making.

POLICIES AND CODES OF CONDUCT

The Bank maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including our customers. These policies apply to all employees and Directors of the Bank, and to anyone working on the Bank's behalf, including contractors and consultants. The Bank adopts zero tolerance to all forms of corruption, bribery, and unethical business practices. The Bank has in place a suite of policies, procedures, and practices to promote a culture of compliance, honesty and ethical behaviour including in relation to anti-money laundering and counter-terrorism financing, proliferation financing, whistle blower protection and conflicts of interest.

Our Code of Ethical Conduct

Our Code of Ethical Conduct (the Code) sets the expectations for all our employees, executives, and Board members to make conduct decisions that are lawful, ethical and respectful to deliver fair outcomes for customers, colleagues, partners and stakeholders. It covers a range of areas including personal conduct, integrity, honesty, transparency, accountability, fairness, and prevention of corruption. The Code provides clear guidance to our people regarding their responsibility to demonstrate high standards of corporate and individual behaviour when conducting the business of the Bank.

It provides a framework for how our people can apply good judgement by thinking before acting, applying Bank policies and procedures, considering the consequences of their decisions and speaking up when needing help. It emphasizes the importance of making the right decisions and behaving in a manner that builds respect and trust in the organization. The Code sets out clear behavioural requirements and where these are not met, there are consequences. The Code is periodically reviewed and Code of Ethical Conduct awareness and learning programs and sessions are conducted.

Conflicts of Interest

The Code sets out the approach to follow to ensure the Bank complies with its regulatory obligations and other related Bank policies when dealing with conflicts of interest. The Conflict of Interest Policy provides guidance to our employees, directors, and other contractors to identify and effectively manage and monitor any actual, perceived or potential conflicts which may arise.

ENTERPRISE RISK MANAGEMENT DISCLOSURE

Whistle-blower program

The Bank does not tolerate fraud, corrupt conduct, bribery, unethical behaviour, legal or regulatory non-compliance or questionable accounting or auditing by employees, Directors, customers and contractors. The Bank is committed to a culture that encourages all people to speak up about issues or conduct that concerns them. The Code supports a culture of integrity and ethical behaviour and sets out a clear process and the protections available for those who want to raise a concern regarding suspected misconduct. This could include concerns related to financial irregularity, antibribery and corruption, internal accounting controls, questionable accounting, or auditing matters. The Bank's whistle-blower program encourages the reporting of any wrongdoing in a way that protects and supports whistleblowers.

The program provides confidential and anonymous communication channels to raise concerns. The confidential and anonymous communications channels are supported and monitored independently by KPMG details of which are provided below:

- Telephone Communication: Toll free number: 07011211111
- Telephone Communication: Non-Toll-free number: +27 12 543 5381
- E-mail Communication: airtelombudsperson@kpmg.co.za.

All people are encouraged to raise any issues involving illegal, unacceptable, or inappropriate behaviour or any issue that would have a material impact on the organization's customers, reputation, profitability, governance or regulatory compliance. There is zero tolerance for any actual or threatened act of reprisal against any whistle-blower and the Bank takes reasonable steps to protect a person who makes disclosure of any inappropriate behaviour including taking disciplinary action potentially resulting in dismissal for any person taking reprisal against a whistle-blower.

Insider Dealing Policy

Our Insider Dealing Policy imposes restrictions on trading in the Bank's securities by Directors, employees, and contractors (and their associates) who are in possession of price sensitive information. They are also prohibited from passing on inside information to others who may use the inside information to trade in the company's securities. All directors, employees and contractors shall not be involved in practices that are deemed to constitute to insider trading either directly or through others such as friends, family as it is considered an abuse of the company's confidential information as well as a breach of their fiduciary duty. The below don'ts are clearly stipulated in the policy:

- Sell or buy securities of a listed company when they possess inside information or during the period immediately before material information such as the company financials, resignation/appointment of directors etc. is released to the public.
- Advise or encourage friends or relatives to sell or buy securities of a listed company when they have inside information.
- Originate/spread false information or engage in activities whose intention is to manipulate the securities of a listed company.

Anti-bribery and Corruption

The Bank has strong standards of integrity, ethics and conduct and supports this by complying with relevant Anti-Bribery and Corruption legislation. Therefore, our people will not directly or indirectly give, offer or request a bribe and will not engage in corruption. Our people will not accept directly or indirectly a benefit (monetary or otherwise) given, offered, authorized, accepted or requested as an inducement for action which is illegal, unethical or a breach of trust. We will not accept secret

ENTERPRISE RISK MANAGEMENT DISCLOSURE

commissions (monetary or otherwise) from a third party, in return for agreeing to depart from our internal policies and procedures or legal obligations. Political donations may give rise to perceptions of cash for influence. Employees, Directors or third parties acting on behalf of the Bank must not make any political donations on behalf of the Bank.

LOOKING AHEAD

It is anticipated that 2024 will continue to be dominated by supervisory and policy actions with emphasis being placed on financial crimes risk, customer due diligence/know you customer, data protection, cybersecurity, corporate governance, digital transformation, and operational resilience.

The Bank will continue to review its business environment and ensure it can adapt and upgrade its systems timely to ensure compliance with any new regulatory actions. The Bank will also continue to proactively assess the internal and external environment to identify emerging issues and implement appropriate controls to adapt, adequately mitigate potential exposures and ensure compliance with any new regulatory actions.

The Bank will also continue to enhance its risk management frameworks as and when required to ensure resilience as well as remain relevant and effective in the dynamic environment that we operate in. Emphasis on risk and controls self-assessment, management of existing and emerging risks remains critical for the Bank.

Dominic Wadongo
Chief Risk Officer

AUDIT COMMITTEE REPORT

The Audit Committee of Smartcash Payment Service Bank Limited hereby reports as follows:

- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of the audit for the financial year ended 31 December, 2023 were satisfactory and reinforce the Bank's internal control systems.

- We are satisfied that the Bank complied with all the guidelines and laws of the Central Bank of Nigeria (CBN). Disclosure of all insider-related credits in the Financial Statements of the Bank are also considered adequate.

- We have deliberated with the External Auditors, who confirmed that necessary cooperation was received from Management in the course of their statutory audit and we are satisfied with the External Auditors' findings and Management's responses thereon.

- The Committee reviewed the Audited Financial Statements of the Bank for the year ended 31 December, 2023 and the Auditors' Report thereon.

Mr. Jibril Aku
Chairman, Audit and Risk Committee
FRC/2013/CIBN/00000001879

27 March 2024

Member of the Committee
Mrs. Oluseye Sandey
FRC/2016/ICAN/0000001419

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Smartcash Payment Service Bank Limited

Opinion

We have audited the financial statements of **Smartcash Payment Service Bank Limited** set out on page 31 to 63 which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of **Smartcash Payment Service Bank Limited** as at 31 December 2023, and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act, 2020, 2014 and the Financial Reporting Council of Nigeria (Amendment) Act 2023 and the Central Bank of Nigeria circulars.

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 requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

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 year. 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.

Emphasis of Matter

We draw your attention to Note 25 of the financial statements, which indicates that the Bank had negative Shareholders' funds of ₦5.8billion as at 31 December 2023. The Bank's Shareholders' funds is below the minimum regulatory capital of ₦5 billion required by the Central Bank of Nigeria (CBN) for Payment Service Banks in Nigeria. The note also indicates the plans of the Bank to address the situation.

Our opinion is not modified on this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by Companies and Allied Matters Act, 2020, and the Statement of Director's Responsibility, Corporate Governance Report, Audit Committee Report, Certification of Financial Statements Pursuant to Section 405 of Companies and Allied Matters Act 2020, and Other National Disclosures as required by the Financial Reporting Council of Nigeria, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act, 2020, Central Bank of Nigeria Circulars, and the Financial Reporting Council of Nigeria (Amendment) Act, 2023 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the entity'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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed 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.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluded on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated 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 communicated with the Audit Committee and the 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.

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

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

Report on Other Legal and Regulatory Requirements
In accordance with the fifth Schedule of the Companies and Allied Matters Act, 2020, we expressly state that:

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

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The opinion expressed in these financial statements is to enable the Bank to comply with the requirement for the submission of its financial statements to the Central Bank of Nigeria. Consequently, these financial statements should not be distributed or made available to any third party in whole or in part pending final approval by the Central Bank of Nigeria and subsequent auditors' opinion thereon.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
28 March,2024

Engagement Partner: David Achugamonu, FCA
FRC/2013/ICAN/ 00000000840

STATEMENTS OF FINANCIAL POSITION

In thousands of Naira	Note	31 DEC 2023	31 DEC 2022
ASSETS			
Cash and cash equivalents	12	4,312,748	6,274,601
Financial Instruments	13	2,373,638	-
Other assets	14	1,856,011	355,927
Property, plant and equipment	15	4,941,107	3,668,215
Intangible assets	16	1,186,325	1,780,468
Total assets		**14,669,829**	**12,079,211**
LIABILITIES			
Deposits from customers	17	5,454,058	554,688
Accrual and Provision	18	1,168,620	379,809
Other liabilities	19	13,867,358	9,570,061
Total liabilities		**20,490,036**	**10,504,558**
EQUITY			
Share capital	20	5,000,000	5,000,000
Retained earnings	SCE	(10,820,207)	(3,425,347)
		(5,820,207)	**1,574,653**
Total liabilities and equity		**14,669,829**	**12,079,211**

Signed on behalf of the board on the 27th of March 2024

Mr. Jibril Aku
Director
FRC/2013/CIBN/00000001879

27 March 2024

Mr. Ayotunde Kuponiyi
Managing Director
FRC/2022/PRO/DIR/003/00000024129

27 March 2024

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of Naira	**Note**	**31 DEC 2023**	**7 months ended 31 DEC 2022**
Gross earnings		**1,140,670**	**236,479**
Fees & Commission Income	3a	977,887	81,787
Fees & Commission Expenses	3b	(742,054)	(44,810)
Net Fees & Commission		**235,833**	**36,977**
Other Income	4	162,783	154,692
Provision on Account Balances	5	(206,917)	-
Operating Income		**191,698**	**191,669**
Personnel expenses	6	(1,505,463)	(529,829)
Depreciation and amortization expenses	7	(1,982,908)	(930,046)
General and administrative expenses	8	(3,690,937)	(1,880,854)
Other operating expenses	9	(15,872)	(135,770)
Finance Cost	10	(391,379)	(140,518)
Other Operating Expenses		(7,586,559)	(3,617,016)
Loss before tax		**(7,394,860)**	**(3,425,347)**
Tax expense	11a	-	-
Loss for the year		**(7,394,860)**	**(3,425,347)**
Other Comprehensive Income		-	-
Total Comprehensive Income		(7,394,860)	(3,425,347)

The accompanying notes and significant accounting policies form an integral part of these audited financial statements

STATEMENTS OF CHANGES IN EQUITY

In thousands of Naira	**Share Capital**	**Share Premium**	**Retained Earnings**	**Statutory Reserve**	**Regulatory Risk Reserve**	**Total Equity**
Balance at 1 January 2023	**5,000,000**	**-**	(3,425,347)	**-**	**-**	**1,574,653**
Transfers Between Reserves						**-**
Profit/(Loss) for the Year			(7,394,860)			**(7,394,860)**
						-
Balance at 31 December 2023	**5,000,000**	**-**	**(10,820,207)**	**-**	**-**	**(5,820,207)**
Balance at 18 May 2022	5,000,000	-	-	-	-	5,000,000
Pre-Incorporation Expenses						-
Loss for the year	-	-	(3,425,347)	-	-	(3,425,347)
Balance at 31 December 2022	**5,000,000**	**-**	**(3,425,347)**	**-**	**-**	**1,574,653**

STATEMENT OF CASHFLOWS

In thousands of Naira	**Note**	**31 DEC 2023**	**7 months ended 31 DEC 2022**
Cashflows from operating activities			
Loss after tax		(7,394,860)	(3,425,347)
Adjustments for Non Cashflow items:			
Amortization of intangibles	7	857,864	542,044
Depreciation of property and equipment	7	1,125,043	388,002
Impairment on Bad Balances	5	206,917	-
		(5,205,036)	**(2,495,301)**
Movement in assets and liabilities			
Other assets		(1,707,001)	(355,927)
Deposit from customers		4,899,370	554,688
Provisions		788,811	379,809
Other liabilities		4,297,298	9,570,060
Cash generated from operations		**3,073,442**	**7,653,330**
Net cash from operating activities		**3,073,442**	**7,653,330**
Cash flows from investing activities			
Purchase of intangible assets	15	(263,721)	(2,322,512)
Purchase of property and equipment	15	(2,397,935)	(4,056,217)
Financial Instruments (Government Securities)	13	(2,373,638)	-
Net cash used in investing activities		**(5,035,294)**	**(6,378,729)**
Cash flows from financing activities			
Share capital	20	-	5,000,000
Retained Earnings	SCE	-	-
Net cash generated from financing activities		**-**	**5,000,000**
(Decrease)/Increase in cash and cash equivalents		(1,961,853)	6,274,601
Cash and cash equivalents at the beginning of year		6,274,601	-
Cash and cash equivalents at end of year		**4,312,748**	**6,274,601**
Cash and cash equivalents comprise:			
Current balances with banks within Nigeria	12	4,312,748	1,174,601
Placements with local banks	12	-	5,100,000
		4,312,748	**6,274,601**

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

Smartcash Payment Service Bank Limited was incorporated under the Companies and Allied Matters Act as a Private Limited Liability Company on 30 November, 2021. It was licensed on 29 April, 2022 to carry on the business of financial services in Nigeria on 18 May, 2022 including receiving cash deposits, processing payments and remittances, issuing debit and prepaid cards, operating electronic wallets, and other services.

The principal activity is to operate a Payment Service Bank within the limits of such license granted by the Central Bank of Nigeria.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies will be applied consistently to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

2.1.1 Statement of Compliance with International Financial Reporting Standards

The financial statements comprise the statement of profit or loss and other comprehensive income showing as one statement, the statement of financial position, the statement of changes in equity, the statement of cash flow and other explanatory notes. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, the Banks and other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

2.1.2 Functional and Presentation currency

The financial statements have been prepared under the historical cost convention, except for the fair value for financial instruments. Except where indicated, financial information presented in Naira has been rounded to the nearest million.

2.1.3 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as at when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity.

Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

2.1.4 Use of estimates and judgements

The preparation of these financial statements is in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank’s financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

2.1.5 New and revised IFRS standards in issue but not yet effective

At the date of authorization of these financial statements, the bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyze the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the bank in future periods:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supercedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

NOTES TO THE FINANCIAL STATEMENTS

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non- current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

NOTES TO THE FINANCIAL STATEMENTS

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

    - Right-of-use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the IFRS requires the use of certain critical estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies.

The following estimates and judgments are considered key significant judgments in the preparation of these financial statements.

* Fair value of financial instruments
* Taxation

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

2.3 Presentation of financial statements

The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current). Financial assets and financial 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 a net basis, or to realise the assets 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 bank.

NOTES TO THE FINANCIAL STATEMENTS

2.4 Revenue from contracts with customers

Smartcash Payment Service Bank Limited is into business of facilitation of electronic payments through the provision of services in the areas of Point-of-Sales (POS), Transaction Acquiring, Card Supply, Card Personalization, Transaction Processing, Switching and related services and other value added services.

Revenue from contracts with customers is recognised when control of services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. The Bank has generally concluded that it is the principal in its revenue arrangements.

The Bank has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Bank reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts.

2.5 Financial assets and liabilities

All financial assets and liabilities – which include derivative financial instruments – have to be recognized in the statement of financial position and measured in accordance with their assigned category.

a. Initial recognition and measurement

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial instruments at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

The Bank does not currently apply hedge accounting.

b. Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

c. Classification and related measurement

Management determines the classification of its financial instruments at initial recognition. Reclassification of financial assets are permitted in certain instances as discussed below:

2.5.1 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — the bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a. POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
b. Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the bank commits to purchase or sell the asset.

At initial recognition, the bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

NOTES TO THE FINANCIAL STATEMENTS

2.5.1.1Financial assets

Classification and subsequent measurement
The bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

· Fair value through profit or loss (FVPL);
· Fair value through other comprehensive income (FVOCI); or
· Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) The Bank's business model for managing the asset; and
(ii) Cash flow characteristics of the asset.

Based on these factors, it classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the bank manages the assets in order to generate cash flows. That is, whether its objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

Equity instruments
IAS 32R(11) Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.
Gains and losses on equity investments at FVPL are included in the Net trading income' line in the statement of profit or loss.

2.5.1.2 Financial liabilities

Classification and subsequent measurement
Financial liabilities are classified as subsequently measured at amortised cost, except for:
Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change

in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods expenses incurred are recognised on the financial liability.

Derecognition
IFRS 9(3.3.1) Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2.5.2 Measurement of Expected credit losses

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

I. Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
II. Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
III. Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

2.5.3 Reversal of impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

For available-for-sale debt security: lf in a subsequent period, the fair value of an impaired debt security increased, and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.
Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in OCI.

2.5.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

2.5.5 Determination of Fair Value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations may therefore be adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary - particularly in view of the current market developments.

To value the unquoted equity investments, two (2) approaches were used: the market approach and the income approach. Under the market approach, two (2) models were applied - the operating profit model and the free cash flow to equity (FCFE) model. For the market approach, the price to book and the price to earnings multiples were used based on information from available comparable entities. In cases when the fair value of unlisted equity investments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.5.6 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the Statement of financial position as 'Assets pledged as collateral'.

2.5.7 Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.
On reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

2.6 Offsetting financial instruments

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

2.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.8 Impairment of financial assets

Assets classified as fair value through other comprehensive income.

The Bank assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a Bank of financial assets is impaired.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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. An impairment loss in respect of goodwill is not reversed.

2.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Property, plant and equipment

All property and equipment used by the bank is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

NOTES TO THE FINANCIAL STATEMENTS

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold Improvement	1 Year
Office Equipment	2-5 Years
Computer Equipment	3 Years
Motor Vehicle	3-5 years
Furniture and Fitting	5 Years

Work in progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss.

2.12 Intangible assets

Computer software licences
Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives. Software has an expected useful life of 3-5 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

it is technically feasible to complete the software product so that it will be available for use;

· it is technically feasible to complete the software product so that it will be available for use;
· management intends to complete the software product and use or sell it;
· there is an ability to use or sell the software product;
· it can be demonstrated how the software product will generate probable future economic benefits;

- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives.

2.13 Income tax

Current income tax
There is no company income tax expense for the period as the company has no taxable profit and minimum tax is not applicable by virtue of section 33 (3) of the Companies Income Tax Act 2007 (as amended) which states that minimum tax will not apply to any company for the first four calendar years of its commencement of business.

2.14 Provisions
Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Employee benefits

a. Short term benefits
Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses when the associated services are rendered by the employees of the Bank.

Post-employment benefits - Defined contribution plans
Obligations for contributions to defined contribution plans are recognized as an expense in the statement of Profit or Loss when they are due. The contribution payable to a defined contribution plan is in proportion to the services rendered to the entity by the employees and

is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as liability.

b. Defined contribution scheme

The bank operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2014. A defined contribution plan is a pension plan under which the bank pays fixed contributions into a separate entity. The bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The bank contributes 10% of basic salary, housing and transport allowances, with the employee contributing a further 8%. The bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.16 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Earnings per share

"The entity presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the entity by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares."

2.19 Critical accounting judgements made in applying the Bank's accounting policies include:

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

i. Financial asset and liability classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

ii. Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

iii. Determination of impairment of property and equipment, and intangible assets
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

iv. Determination of recognised deferred tax balances
Management is required to make judgements concerning the recoverability of unused tax losses. Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Naira	31 DEC 2023	7 months ended 31 DEC 2022
3a Fee & Commission		
Cash Out Revenue-Agents	364,117	50,709
Commission Income-Airtime Purchase	301,746	7,732
Commission Income-Merchant	46,178	1,612
Bulk Payment Disbursement Revenue	94,940	16,575
Cash In Revenue-Agents	85,566	5,109
Other Transaction Fees	85,340	50
Fee and commission income	**977,887**	**81,787**
3b Fee and commission expense		
Commission Expense-E Settlement Channel	247,753	30,566
Commission Expense-Cash in Transactions	37,681	1,125
Commission Expense-Cash Out Transactions	84,865	2,287
Sales Commission & Incentives	368,639	10,128
Bank charges	3,116	705
	742,054	**44,810**
Net fee and commission income	**235,833**	**36,977**
4 Other Income		
Interest Income	**162,783**	**154,692**

Interest Income represents income earned on Nigerian Treasury Bills and Interest on Placements and Bank Balances held with Nigerian Banks

	31 DEC 2023	7 months ended 31 DEC 2022
5 Provision on Account Balances		
Provision on Account Balances	**206,917**	**-**
6 Personnel expenses		
Wages and salaries	1,231,363	388,064
Contributions to defined contribution plans	9,881	28,225
Performance Bonus & Incentives	120,219	81,900
Non-payroll staff cost (See below)	143,999	31,640
	1,505,463	**529,829**

Non-payroll staff cost
This includes medical expenses, club subscriptions, NSITF & ITF contribution as well as other staff related expenses not paid to staff.

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of Naira	31 DEC 2023	7 months ended 31 DEC 2022
7	**Depreciation and amortisation**		
	Depreciation of property and equipment	1,125,043	542,044
	Amortisation of intangibles	857,864	388,002
		1,982,908	**930,046**
8	**General and administrative expenses**		
	Communication, stationery and postage	237,024	36,310
	Business travel expenses	77,335	150,109
	Advert, promotion and corporate gifts	502,893	696,518
	Business premises and equipment repairs	136,620	9,166
	Directors' emolument and other expense	37,871	28,652
	IT billings and software expenses	2,573,660	688,082
	Outsourced services and training expenses	59,169	148,221
	Selling and distribution expenses	138,248	4,586
	Auditors' remuneration	25,586	21,187
	Legal and professional charges	11,005	98,023
	Local Management Fee	9,865	-
		3,690,937	**1,880,854**
	Other operating expenses		
9	Insurance expenses	2,086	4,828
	Rental expenses*	(3,002)	47,230
	Regulatory and licensing	409	3,011
	Entertainment expenses	-	661
	Other expense	16,378	280
	Pre-incorporation expenses	-	79,761
		15,872	**135,770**

** Reversal of excess rental expenses cross charged to the PSB during the 2022 Financial Year*

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of Naira	**31 DEC 2023**	**7 months ended 31 DEC 2022**
	Finance Cost		
10	Interest expense on borrowed fund	**391,379**	**140,518**

Interest expense represents interest payable calculated at 14% interest rate on borrowing from Airtel Network Limited.

	Tax expense		
11a	Minimum tax	**-**	**-**
	Deferred tax	-	-
	Tax expense	**-**	**-**
	Tax liability movement		
11b	Balance at 31 January 2023	-	-
	Minimum tax	-	-
	Tax Payment	-	-
	Balance at 31 December 2023	**-**	**-**

The Bank was assessed based on the minimum tax legislation for the period ended 31 December 2022 and the period ended 31st December 2023

Minimum tax is payable by companies having no taxable profits for the year or where the tax on profits is below the minimum tax. However, companies in the first four calendar years of business, companies engaged in the agriculture business, or small companies are exempt from minimum tax. Computed deferred tax liability amounted to =N=527.254Million and Deferred tax asset on Provisions and Accruals amounted to =N=8,610Million (2022: Deferred Tax Assets =N=419Million). No deferred tax asset or liability has been recognized in this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of Naira	**31 DEC 2023**	**7 months ended 31 DEC 2022**
	Current income tax	-	-
	Deferred tax asset/(Liability)		
i	*Property and equipment*	(527,254)	415,710
ii	*Provisions*	8,610	4,244
	Tax losses	2,536,350	697,658
		2,017,706	**1,117,612**
	Unused tax losses and deductible temporary difference on which deferred tax asset is not recognized		
	Expiring within 5 years	-	-
	Expiring beyond 5 years	-	-
	Unlimited	2,017,706	1,117,612
		2,017,706	**1,117,612**

Cash and cash equivalents

12	Current balances with banks within Nigeria	4,312,748	1,174,601
	Placements with local banks	-	5,100,000
		4,312,748	**6,274,601**
	Current	4,312,748	6,274,601
	Non-current	-	-
		4,312,748	**6,274,601**

_*Cash and cash equivalents comprise balances with other banks less than three months maturity from the date of acquisition and deposits held at call with other banks.*

Financial Instruments

13	Nigerian Treasury Bills	2,373,638	-

The PSB has invested in short and long term Nigerian Federal Government Treasury Bills to meet with regulatory guidelines of its regulator

Current	243,939	-
Non current	2,129,699	-
	2,373,638	**-**

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of Naira	**31 DEC 2023**	**7 months ended 31 DEC 2022**
	Other assets		
14	**Other financial assets:**		
	E-settlement receivables_NIBSS	1,841,957	52,379
a	E-settlement receivables Interswitch	126,522	226,507
	Other Assets_E-Settlement Receivable Pay Attitude	1,622	-
	Related parties receivables	-	1,243
	Employee Receivable	1,724	7,574
	WHT Receivable Interest Income	15,489	315
	Other accounts receivables	46,448	9,008
		2,033,763	**297,026**
	Less provision allowances	(206,917)	-
		1,826,846	**297,026**
	Other non-financial assets:		
	Prepayments	29,165	58,902
b		**29,165**	**58,902**
		1,856,011	**355,927**

E-Settlement Receivables represents inward Interbank receivables arising from customer-initiated settlement transactions with other Financial Institutions

	31 DEC 2023	31 DEC 2022
Current	2,062,928	355,927
Non Current	-	-
	2,062,928	**355,927**

Movement Schedule for Provision Allowance	
Balance at 1 January 2023	**-**
Charge for the year	206,917
Reclassification	-
Balance at 31 December 2023	**206,917**

NOTES TO THE FINANCIAL STATEMENTS

15 Property, plant and equipment

	Leasehold improvement	Office equipment	Computer equipment	Motor vehicles	Furniture & fittings	Capital work in progress	Total
Gross Value							
Balance at 1 January 2023	3,970	100,083	859,111	17,338	770,287	2,305,428	4,056,217
Additions during the period	-	1,416,743	716,153	-	228,841	36,198	2,397,935
Reclassifications	-	226,114	12,110	-	110,472	(348,696)	-
Disposal during the period							
Balance at 31 December 2023	**3,970**	**1,742,940**	**1,587,374**	**17,338**	**1,109,600**	**1,992,930**	**6,454,152**
Accumulated depreciation							
Balance at 1 January 2023	2,480	27,163	223,344	4,481	130,534	-	388,002
Charge for the year	1,490	414,725	466,605	7,174	235,049	-	1,125,043
Reclassifications	-	-	-	-	-	-	-
Eliminated on Disposal	-	-	-	-	-	-	-
Balance at 31 December 2023	**3,970**	**441,888**	**689,949**	**11,656**	**365,583**	**-**	**1,513,045**
Carrying amounts:							
Balance at 31 December 2023	**-**	**1,301,052**	**897,425**	**5,682**	**744,017**	**1,992,930**	**4,941,107**
Balance at 31 December 2022	**1,490**	**72,920**	**635,767**	**12,856**	**639,754**	**2,305,428**	**3,668,215**
Gross Value							
Balance at 18 May 2022	-	-	-	-	-	-	-
Additions during the period	3,970	100,083	859,111	17,338	770,287	2,305,428	4,056,217
Disposal during the period	-	-	-	-	-	-	-
Balance at 31 December 2022	**3,970**	**100,083**	**859,111**	**17,338**	**770,287**	**2,305,428**	**4,056,217**
Accumulated depreciation							
Balance at 18 May 2022	-	-	-	-	-	-	-
Charge for the year	2,480	27,163	223,344	4,481	130,534	-	388,002
Eliminated on Disposal	-	-	-	-	-	-	-
Balance at 31 December 2022	**2,480**	**27,163**	**223,344**	**4,481**	**130,534**	**-**	**388,002**
Carrying amounts:							
Balance at 31 December 2023	**-**	**1,301,052**	**897,425**	**5,682**	**744,017**	**1,992,930**	**4,941,107**
Balance at 31 December 2022	**1,490**	**72,920**	**635,767**	**12,856**	**639,754**	**2,305,428**	**3,668,215**
Balance at 31 December 2021	-	-	-	-	-	-	-

_There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (31 December 2022: nil).
_There were no restrictions on title of any property and equipment.
_There were no property and equipment pledged as security for liabilities.
_There were no contractual commitments for the acquisition of property and equipment.
_There were no impairment losses on any class of property and equipment during the period (31 December 2022: nil).
_Items of Capital Work in Progress represents assets at the site location not yet capitalised or put into use (31 December 2022: ***N2.31bn****).*

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of Naira	**31 DEC 2023**	**7 months ended 31 DEC 2022**
16	**Intangible assets - Software**		
	Gross Value		
	Balance as at Beginning of Period	2,322,512	-
	Additions during the period	263,721	2,322,512
	Balance as at End of Period	**2,586,233**	**2,322,512**
	Amortisation		
	Balance as at Beginning of Period	542,044	-
	Charge for the year	857,864	542,044
	Balance as at End of Period	**1,399,908**	**542,044**
	Carrying amounts:		
	Balance at 31 December	**1,186,325**	**1,780,469**
17	**Deposits from customers**		
a	**Retail customers:**		
	Individual deposits	1,544,326	240,979
	Agent deposits	811,204	139,214
		2,355,530	**380,193**
b	**Corporate customers:**		
	Corporate deposits	3,098,528	174,495
		5,454,058	**554,688**

Corporate customers represent deposits from corporate bodies, while retail customers represents deposits from individuals and agents.

The Bank does not hold fixed term deposits and as such all deposits are at demand.

In thousands of Naira	**31 DEC 2023**	**7 months ended 31 DEC 2022**
Current	*5,454,058*	*554,688*
Non Current	-	-
	5,454,058	***554,688***

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Naira	31 DEC 2023	7 months ended 31 DEC 2022
18 Accruals		
Legal professional	-	3,395
Director	-	28,652
Employee	201,038	104,460
Others	967,582	243,302
	1,168,620	**379,809**
19 Other liabilities		
Other financial liabilities:		
E-settlement payables_NIBSS	248,203	430,507
E-settlement payables_Easypay	166,186	-
E-settlement payables Interswitch & Others	2,181	-
Defined pension contribution	-	686
Related party loan (note 23)	6,539,302	3,476,466
Related parties payables (note 23)	6,033,581	4,998,887
Tax payables (PAYE, WHT & VAT)	67,064	48,694
Accounts payable	285,859	218,617
Others	53,765	25
	13,396,142	**9,173,882**
Other non-financial liabilities:		
Accrued expenses	471,216	396,178
	471,216	**396,178**
	13,867,358	**9,570,060**

E-Settlement Payables represents outward Interbank payables arising from customer initiated settlement transactions with other Financial Institutions

In thousands of Naira	31 DEC 2023	7 months ended 31 DEC 2022
Nature of Related Party Transactions		
Current	-	-
Non Current	12,572,884	8,475,353
	12,572,884	**8,475,353**

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of Naira	31 DEC 2023	7 months ended 31 DEC 2022
20	**Share capital**		
	Authorised, issued and fully paid		
	5,000,000,000 ordinary shares of N1 each	**5,000,000**	**5,000,000**
	Movements during the period:		
	Balance at Beginning of Period	5,000,000	-
	Issued during the year	-	5,000,000
	Balance at End of Period	**5,000,000**	**5,000,000**
21	**Employees and Directors**		
a	**Employees**		
	The average number of persons employed by Smartcash Payment Service Bank Limited during the year was as follows:	**Number**	**Number**
	Executive directors (MD/CEO)	1	1
	Management	5	4
	Non-management	45	28
		51	33
	Compensation for the above staff: (In thousands of Naira)		
	Wages and salaries	1,231,363	388,064
	Contributions to defined contribution plans	9,881	28,225
	Performance Bonus & Incentives	120,219	81,900
	Non-payroll staff cost (See below)	143,999	31,640
		1,505,463	**529,829**
	The number of employees of the Bank, including executive director (MD/CEO), who received emoluments in the following ranges (excluding pension contributions) were:	**Number**	**Number**
	Less than N1,000,001	20	14
	N1,000,001 - N2,000,000	17	13
	N2,000,001 and above	10	6
		47	33
b	**Directors**		
	Directors' emoluments (In thousands of Naira)		
	Remuneration paid to the Bank's directors was:		
	Directors' fees	35,961	28,652
	Sitting allowances	1,910	831
	Other director expenses	-	-
		37,871	**29,483**

NOTES TO THE FINANCIAL STATEMENTS

Fees and other emoluments disclosed above include amounts paid to:
(In thousands of Naira

Chairman	**11,710**	**11,163**
Highest paid director	**11,710**	**11,163**

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:	**Number**	**Number**
Less than N10,000,001	3	2
N10,000,001 and above	1	1
	3	3

22 Contravention, contingent liabilities and commitments

There was no contravention of any section of the Bank and Other Financial Institutions Act, 2020, CBN Circulars/Guidelines.

There were no capital commitments as at 31 December 2023.

There was no significant existing litigation against the entity as at 31 December 2023.

23 Related Party Disclosure

The Bank entered into transactions with Airtel Networks Nigeria during the year in the normal course of business as stated below

In thousands of Naira	**31 DEC 2023**	**7 months ended 31 DEC 2022**
Nature of Transactions		
Term Loans at 14% Per Annum (Principal & Interest)	6,539,302	3,476,466
Intercompany Payable Due	6,033,581	4,998,887
Total	**12,572,884**	**8,475,353**

NOTES TO THE FINANCIAL STATEMENTS

24 Capital Adequacy

SmartCash Payment Service Bank Limited monitors the adequacy of its capital using the Central Bank of Nigeria's stipulated BASEL III template.

The Central Bank of Nigeria requires Payment Service Banks in Nigeria to maintain a minimum Capital Adequacy Ratio of 10% to provide cover for Credit,

Market and Operational risks present in the operations of Payment Service Banks in Nigeria.

Below is a presentation of SmartCash Payment Service Bank's Capital Adequacy at the end of the 2023 Financial year

		Adjusted Impact	
Items		**Capital charge**	**Risk Weighted Asset (RWA)**
Market risk		-	-
Operational risk		**44,027,506**	**550,343,822**
Credit risk			**8,676,983,166**
Total RWA			**9,227,326,988**
***Total* Qualifying Capital**			**(7,006,532,330)**
Capital Adequacy Ratio			**(75.93%)**
Tier 1 Capital Ratio			**(75.93%)**

At the time of approving this Financial Statement, SmartCash PSB had requested the approval of the Central Bank of Nigeria in inject additional capital of =N=12,500,000,000.00.

When approved this capital injection would increase the PSB's Capital Adequacy Ratio above the required minimum ratio of 10%.

25 Recapitalisation Plan

The Bank had a negative shareholders Funds' of ₦5.8billion as at 31 December 2023 (2022: N1.6billion) The Bank's Shareholders' funds was below the minimum regulatory capital of ₦5 billion, required by the Central Bank of Nigeria (CBN) for Payment Service Banks in Nigeria by about ₦10.8 billion as at year ended 2023. However, the Bank has requested approval from Central Bank of Nigeria to inject additional N12.5billion in February 2024 and the necessary capitalisation regulatory approval processes was not concluded before the end of December 31 2023. This will be closed in the new financial year together with other financial plans. Furthermore, as at 31 December 2023, the Bank's Capital Adequacy Ratio was -75.93% which was below the minimum regulatory Capital Adequacy Ratio of 10% as specified by the CBN, it is projected that with the approved recapitalization plan by the bank, the Capital Adequacy Ratio would be in line with the approved minimum ratio of 10%.

26 Events after reporting date

There were no events that occurred subsequent to the reporting date that require adjustments or disclosure in the financial statements for the period under review.

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED

In thousands of Naira	31-Dec-23	%	7 months ended 31 DEC 2022	%
Gross Income	1,140,669	(28)	236,479	(12)
Interest & Commission Paid				
_Local	(1,133,433)	29	(140,518)	7
	7,237		95,961	
Impairment Charge for Credit Losses	(206,917)		-	
	(199,680)	5	95,961	0
Bought-In Material and Services				
_Local	(3,706,810)	95	(2,061,433)	105
VALUE ERODED	**(3,906,490)**	**100**	**(1,965,472)**	**100**
DISTRIBUTION				
Employees				
_Wages, salaries, pensions and other employee benefits	1,505,463	(39)	529,829	(27)
The Future				
_Asset Replacement (Depreciation & Amortisation)	1,982,908	(51)	930,046	(47)
_Expansion (Reserves)	(7,394,860)	189	(3,425,347)	174
VALUE ERODED	**(3,906,490)**	**100**	**(1,965,472)**	**100**
			-	