SMARTCASH PAYMENT SERVICE BANK LIMITED

Annual Reports and Financial Statements
31 December2022

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CORPORATE INFORMATION

Chairman	Dr. Kingsley Umadia	
Directors	Dr. Kingsley Umadia	
	Mr. Olusegun Ogunsanya	
	Mrs. Oluseye Sandey	
	Mr. Jibril Aku	
	Mr. Muyiwa Ebitanmi	
	Mr. Vimal Ambat	Resigned effective 1 October 2022
	Mr. Surendran Chemmenkotil	Resigned effective 20 December 2022
	Mr. Ian Ferro	
Registered Office	Plot L2, 401 close Banana Island, Ikoyi, Lagos	
Auditors	Deloitte & Touché Civic Towers Plot GA1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos State, Nigeria www.deloitte.com.ng	
Company Secretary	Mr. Shola Adeyemi	
Bankers	Stanbic IBTC Plc First City Monument Bank Limited First Bank Nigeria Limited Ecobank Nigeria Limited	
RC No.	1867774	

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, 2022.

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 Bank.

The framework defines the roles 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 Directors
The Board of Smartcash Payment Service Bank Limited is currently made up of six (6) members; one (1) of whom is an Executive Director and two (2) Non-Executive Directors, and (3) Independent Non-Executive Director (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 the Board 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 three 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.

The Committee is a three-man committee and comprises of two Independent Non-Executive Directors and one Non-Executive Director. 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.

CORPORATE GOVERNANCE REPORT

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
3	Mr. Surendran Chemmenkotil	Non-Executive Director	Member

2. Governance Committee

The Board Governance Committee is responsible for overseeing and running the Bank in line with defined objectives, ethics and culture of the Bank. The Committee is 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.

The Committee has three members comprising of Managing Director / CEO, a Non-Executive Directors and an Independent Non-Executive Director who is the chairman of the committee. 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	Mr. Muyiwa Ebitanmi	Managing Director / CEO	Member

3. Remuneration Committee

This Committee assist the Board in fulfilling its oversight responsibilities by providing appropriate advice and recommendations on matters relevant to the Committee's Charter to facilitate decision making. The committee determines the required role and capabilities for 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 consider 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 has three members comprising of two Non-Executive Directors 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. Vimal Ambat	Non-Executive Director	Chairman
2	Mr. Jibril Aku	Independent Non-Executive Director	Member
3	Mr. Surendran Chemmenkotil	Non-Executive Director	Member

CORPORATE GOVERNANCE REPORT

Frequency of Board / Board Committee Meetings
The Board and its Committees met between 16 May 2022 and 31 December 2022 as follows:

Directors	Status	Board of Directors	Audit & Risk Committee	Governance Committee	Remuneration Committee
Dates of Board and Board Committee meetings held from May – December 2022		31 May 2022 05 Oct 2022	05 Oct 2022	Not Held	Not Held
Dr. Kingsley Umadia - Chairman	Independent NED	2	na	na	na
Mr. Olusegun Ogunsanya	NED	2	na	-	na
Mr. Surendran Chemmenkotil	NED	2	1	na	-
Mr. Vimal Ambat	NED	1	na	na	-
Mrs. Oluseye Sandey	Independent NED	2	1	-	na
Mr. Muyiwa Ebitanmi	MD/CEO	2	na	-	na
Mr. Jibril Aku	Independent NED	2	1	na	-
Mr. Ian Ferro	NED	-	na	na	na

na - Not Applicable.

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)
The Bank complies with the local and international AML/CFT best practices by setting the minimum standards which applies to all staff including permanent and contracted staff, agents and other associates providing money transfer services that are covered by Money Laundering (Prevention and Prohibition) Act, Proceeds of Crime (Recovery and Management) Act, Terrorism (Prevention and Prohibition) Act and any other relevant laws and regulations.

Data Protection and Privacy
The Bank is committed to monitoring and continually improving the protection of data to meet its privacy responsibilities to customers, staff, vendors and regulators, and to reduce exposure 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.

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.

CORPORATE GOVERNANCE REPORT

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 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 Bank 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

1. Mr. Vimal Ambat resigned from the Board effective 1 October 2022
2. Mr. Surendran Chemmenkotil resigned from the Board effective 20 December 2022

Mr. Shola Adeyemi
Company Secretary
FRC/2016/NBA/00000014257

Plot L2, 401 Close
Banana Island,
Ikoyi.
Lagos.

29 March 2023

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 period ended 31 December 2022 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 during 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 period ended 31 December 2022 and the Auditors' Report thereon.

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

29 March 2023

Members of the Committee

1. Mrs. Oluseye Sandey
2. Mr. Surendran Chemmenkotil

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 7 months period ended 31 December 2022.

a. Legal Form

The Bank was incorporated under the Companies and Allied Matters Act 2020 as a Private Limited Liability Company on 30 November 2021. It was licensed on 27 April 2022 to carry on the business of financial services in Nigeria on 16 May 2022 including receiving cash deposits, processing payments and remittances, issuing debit and prepaid cards, operating electronic wallets, and other 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 period

The Bank's operating results for the period are as follows:

All amounts in thousands of Nigerian Naira unless otherwise stated.

Financial Highlights	**2022**
Gross Revenue	**236,480**
Loss before tax	**(3,425,347)**
Taxation	**-**
Loss after tax	**(3,425,347)**

d. Dividend

No dividend payment has been recommended by the Directors for the period ended December 31, 2022.

e. Directors' shareholding

Shareholding	Direct Number of Ordinary Shares Held 2022 (%)
Nil	Nil

f. Property, Plant and Equipment (PPE)

Information relating to changes in property, plant and equipment is provided in Note 11 to the financial statements.

DIRECTORS REPORT

g. Shareholding analysis

The shareholding pattern of the company as at 31 December 2022 is as stated below:

No of Shares	Name of Shareholders
4,999,999,636	Airtel Networks Limited
364	Airtel Mobile Commerce Holdings BV

On 15 August 2022, the initial majority shareholder, Airtel Mobile Commerce Nigeria BV, transferred its entire 4,999,999,636 shares to Airtel Networks Limited. All extant laws and regulations were complied with in the transaction and the shares are presently registered in the name of Airtel Networks Limited.

h. Donations and charitable gifts

No contributions, donations or charitable gifts were made to charitable organizations, political associations, or for any political purpose during the period ended 31 December 2022.

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 2022 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 disabled are given equal opportunities to develop. As at 31 December 2022, 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.

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

DIRECTORS REPORT

ensure full compliance with Nigerian and applicable international laws and conventions on anti-corruption, anti-money laundering and anti-terrorism.

l. Auditors

The Auditors, Deloitte & Touché have indicated their willingness to serve 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 appointment and to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Mr. Shola Adeyemi
Company Secretary
FRC/2016/NBA/00000014257

Plot L2, 401 Close
Banana Island, Ikoyi.
Lagos.

29 March 2023

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. Muyiwa Ebitanmi**
Director	*Managing Director*
FRC/2013/CIBN/00000001879	FRC/2022/PRO/DIR/003/863440
29 March 2023	29 March 2023

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 2022, that:

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

i. 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
ii 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:

i. are responsible for establishing and maintaining internal controls;
ii. 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;
iii. have evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements and;
iv. 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:

i. 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
ii. any fraud, whether material or not, that involved management or other employees who have a significant role in the company's internal control; and
iii. 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. Muyiwa Ebitanmi
Managing Director
FRC/2022/PRO/DIR/003/863440

29 March 2023

Mr. Oluwasegun Adeusi
Chief Finance Officer
FRC/2019/ICAN/00000019826

29 March 2023

Deloitte.

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Independent Auditor's Report to the
Members of Smartcash Payment Service Bank Limited

Opinion

We have audited the financial statements of Smartcash Payment Service Bank Limited set out on pages 15 to 46, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the seven months period then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022 and its financial performance and statement of cash flows for the period then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act 2020, the Financial Reporting Council of Nigeria Act 2011 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 Bank 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 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 matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the period. This matter was addressed in the context of our audit of the financial statements for the period ended 31 December 2022 as a whole and in forming our opinion thereon and we do not provide a separate opinion on this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Directors Responsibilities, Audit Committee's Report, and Corporate Governance Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act, 2020 , Financial Reporting Council Act, 2011 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 Bank'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 Bank or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 Bank to cease to continue as a going concern.

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

We communicate with those charged with governance, 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 provide those charged with governance 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, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements of the current period and is therefore the key audit matter. We describe the matter 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.

Deloitte.

Report on Other Legal and Regulatory Requirements
In accordance with the fifth Schedule of 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 Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The Bank'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 in accordance with Section 26 of Banks and Other Financial Institutions Act, 2020. 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. ''

- The Bank has complied with the requirements of the relevant circulars issued by Central Bank of Nigeria
- No contravention of the Banks and Other Financial Institutions Act CAP B3 LFN 2020 and relevant circulars issued by the Central Bank of Nigeria came to our knowledge during the period ended 31 December 2022.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
30 March 2023

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of Naira	**Note**	**7 months ended 31 Dec 2022**
Fee and commission income	1a	81,787
Fee and commission expense	1b	(44,810)
Net fee and commission income		**36,977**
Other income	2	**154,693**
Personnel expenses	3	(529,829)
Depreciation and amortisation expenses	4	(930,046)
General and administrative expenses	5	(1,880,854)
Other operating expenses	6	(135,770)
Finance cost	7	(140,518)
Loss before tax		**(3,425,347)**
Tax expense	8	-
Loss for the year		**(3,425,347)**
Other Comprehensive income		**-**
Total Comprehensive Income		**(3,425,347)**

STATEMENT OF FINANCIAL POSITION

In thousands of Naira	Note	31 Dec 2022
Assets		
Cash and cash equivalents	9	6,274,601
Other assets	10	355,927
Property, plant and equipment	11	3,668,215
Intangible assets	12	1,780,468
Total assets		**12,079,211**
Liabilities		
Deposits from customers	13	554,688
Accrual and Provision	14	379,809
Other liabilities	15	9,570,061
Total liabilities		**10,504,558**
Equity		
Share capital	16	5,000,000
Retained earnings		(3,425,347)
		1,574,653
Total liabilities and equity		**12,079,211**

The accompanying notes on pages 19 to 46 form an integral part of the financial statements.
Signed on behalf of the Board of Directors on 29 March 2023.

Mr. Jibril Aku	**Mr. Muyiwa Ebitanmi**
Director	*Managing Director*
FRC/2013/CIBN/00000001879	FRC/2022/PRO/DIR/003/863440
29 March 2023	29 March 2023

STATEMENT OF CHANGES IN EQUITY

In thousands of Naira	Share Capital	Share Premium	Retained Earnings	Statutory Reserve	Regulatory Risk Reserve	Total Equity
Balance at 18 May 2022	5,000,000	-	-	-	-	5,000,000
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**	**7 months ended 31 Dec 2022**
Cashflows from operating activities		
Loss after tax		(3,425,347)
Adjustments:		
Accruals and provisions	14	379,809
Interest expense on related party loan	7	140,518
Amortisation of intangibles	4	542,044
Depreciation of property and equipment	4	388,002
		(1,974,974)
Movement in assets and liabilities		
Other assets	10	(355,927)
Deposit from customers	13	554,688
Other liabilities		9,429,543
Cash generated from operations		**7,653,330**
Net cash from operating activities		**7,653,330**
Cash flows from investing activities		
Purchase of intangible assets	12	(2,322,512)
Purchase of property and equipment	11	(4,056,217)
Net cash used in investing activities		**(6,378,729)**
Cash flows from financing activities		
Share capital	16	5,000,000
Net cash generated from financing activities		**5,000,000**
Increase in cash and cash equivalents		6,274,601
Cash and cash equivalents at the beginning of year		-
Cash and cash equivalents at end of year		**6,274,601**
Cash and cash equivalents comprise:		
Balances with other Banks	9	1,174,601
Placements with other Banks	9	5,100,000
		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 27 April 2022 to carry on the business of financial services in Nigeria on 16 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, 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 items included within the financial statements of the Bank are measured using the currency of the primary economic environment in which it operates (i.e. 'functional currency').
The financial statements are presented in Naira, which is also the functional and presentation currency of the company.

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 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 and interpretation in issue but not yet effective

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2022. The Bank has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards where applicable at their respective effective dates. Commentaries on these new standards/amendments are provided below.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity-specific adjustment for risk) and a contractual service margin. The premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the PAA approach, the liability for remaining coverage will be initially recognized as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

This standard does not impact the Bank in anyway as the Bank do not engage in insurance business.

Amendments to IAS 1

This amendment relates to classification of Liabilities as Current or Non-current which will provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the balance sheet date.

The amendment only affects the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment will:

- clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the balance sheet date,

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Bank does not anticipate early adoption of the standard and is currently evaluating its impact.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. Earlier application is permitted.

Amendments to IAS 8 - Definition of Accounting Estimates
The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. The effective date is 1 January 2023.

The impact of this amendment on the Bank's financial statements is currently under assessment.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
This standard is effective for annual periods beginning on or after 1 January 2023. In determining the tax base of assets and liabilities, the amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, in respect of changes to the initial recognition exception under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The impact of this standard on the Bank's financial statements is currently under assessment.

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.

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 Issuance, and related services and other value added services.

Revenue from contracts with customers is recognised when control of services is 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.

2.5 Financial Instruments

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.

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.

2.5.1.1 Financial 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: if, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 include 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.

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

Capital 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

2.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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.

The Bank will be subject to income tax when it has taxable profits in the future in accordance with the provisions of the Company Income Tax Act 2007 (as amended), other applicable tax laws/regulation and the guidelines set out below.

Current tax and deferred tax is recognised as an expense or income in profit or loss, except to the extent that it relates to items credited or debited directly to equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

(i) Current tax

Tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible. Current tax will be calculated using tax rates that have been enacted or substantively enacted by reporting date. The payment made in excess/ (shortfall)of the income tax obligation for the respective periods will be recognised in the statement of financial position under income tax assets/income tax liabilities, respectively.

Any interest, related to accrued liabilities for potential tax assessments will not be included in income tax charge or (credit), but are rather recognised within finance costs.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable or based on expected value approach, as applicable and are presented within current tax liabilities. The assessment is based on the judgement of tax professionals within the company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current tax assets and tax liabilities are offset where the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Deferred tax

Deferred tax is recognized, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets, recognised and unrecognised, are reviewed at each reporting date and assessed for recoverability based on best estimates of future taxable profits.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

2.14 Provisions

Provisions 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.

b. Defined Contributions: Pension
In line with the provisions of the Pension Reform Act 2014 of Nigeria, the Company operates a contributory pension scheme (which is a defined contribution plan) for all its employees.

Under the scheme, every employee contributes 8% and the Company contributes 10% of employee's annual insurable earnings (basic pay, transport and housing) to the pension fund which manages the funds for the benefit of the employee.

Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to profit or loss as employee cost. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits under the scheme.

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.

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.

The Bank's policy for deferred tax recognition is having cumulative positive profit before tax excluding exceptional items and forex in last 8 quarters and continuous positive PBT excluding exceptional items and forex for consecutive 4 quarters.

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		7 months ended 31 Dec 2022
1a	**Fee & Commission Income**	
	Cash Out Revenue-Agents	50,709
	Commission Income-Airtime Purchase	7,732
	Commission Income-Merchant	1,612
	Bulk Payment Disbursement Revenue	16,575
	Cash In Revenue-Agents	5,109
	Other Transaction Fees	50
		81,787
1b	**Fee and commission expense**	
	Commission Expense-E Settlement Channel	30,566
	Commission Expense-Cash in Transactions	1,125
	Commission Expense-Cash Out Transactions	2,287
	Sales Commission & Incentives	10,128
	Bank charges	704
		44,810
	Net fee and commission	**36,977**
2	**Other Income**	
	Interest income on deposits with other banks	
3	**Personnel expenses**	
	Wages and salaries	388,064
	Contributions to defined contribution plans	28,225
	Performance Bonus & Incentives	81,900
	Non-payroll staff cost (See below)	31,640
		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.

4	**Depreciation and amortisation**	
	Amortisation of intangibles	542,044
	Depreciation of property and equipment	388,002
		930,046

NOTES TO THE FINANCIAL STATEMENTS

		7 months ended
	In thousands of Naira	**31 Dec 2022**
5	**General and administrative expenses**	
	Communication, stationery and postage	36,310
	Business travel expenses	150,109
	Advertising, promotion and corporate gifts	696,518
	Business premises and equipment repairs	9,166
	Directors' emolument and other expense	28,652
	IT billings and software expenses	688,082
	Outsourced services and training expenses	148,221
	Selling and distribution expenses	4,586
	Auditors' remuneration	21,187
	Legal and professional charges	98,023
		1,880,854
6	**Other operating expenses**	
	Insurance expenses	4,828
	Rental expenses	47,230
	Regulatory and licensing	3,011
	Entertainment expenses	661
	Other expense	280
	Pre-incorporation expense	79,760
		135,770
7	**Finance Cost**	
	Interest expense on related party loan	**140,518**

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

8 Tax Expense

The Bank was assessed based on the minimum tax legislation for the period ended 31 December 2022.
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 assets amounted N419m, however, based on the Bank’s policy for deferred tax assets recognition, no deferred tax asset has been recognized in this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Naira		**31 Dec 2022**
i.	Current income tax	-
ii.	Deferred tax asset	
	Property and equipment	415,710
	Provisions	4,244
	Tax losses	697,658
		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	1,117,612
	1,117,612

9 Cash and cash equivalents

Cash	-
Balances with other banks	1,174,601
Placements with other banks	5,100,000
	6,274,601
Current	6,274,601
Non-current	-
	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.

10 Other assets

E-settlement receivable	278,886
WHT Receivable Interest Income	315
Employee Receivable	7,574
Prepayments	58,902
Other account receivables	10,250
	355,927

E-settlement receivable relates to interbank receivable arising from inwards funds transfer into our customers/agents wallets from other banks

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Naira

11 Property, plant and equipment

Gross Value	**Leasehold improvement**	**Office equipment**	**Computer equipment**	**Motor vehicles**	**Furniture & fittings**	**Capital work in progress**	**Total**
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 period	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 2022	**1,490**	**72,920**	**635,767**	**12,856**	**639,754**	**2,305,428**	**3,668,215**
Balance At 31 December 2021	-	-	-	-	-	-	-

_*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 2022
12	**Intangible assets - Software**	
	Gross Value	
	Balance At 18 May 2022	-
	Additions during the period	2,322,512
	Balance at 31 December 2022	**2,322,512**
	Amortisation	
	Balance At 18 May 2022	-
	Charge for the period	542,044
	Balance at 31 December 2022	**542,044**
	Carrying amounts:	
	Balance at 31 December 2022	**1,780,468**
	Balance at 31 December 2021	-
13	**Deposits from customers**	
a	**Retail customers:**	
	Individual deposits	240,979
	Agent deposits	139,214
		380,193
b	**Corporate customers:**	
	Corporate deposits	174,495
		174,495
		554,688

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

14	**Accruals and provision**	
	Legal professional	3,395
	Director	28,652
	Employee	104,460
	Others	243,302
		379,809

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Naira	**31 Dec 2022**
15 Other liabilities	
E-settlement payables	430,507
Related party loan (note 18)	3,476,466
Related parties payables (note 18)	4,998,887
Accrued expense	396,178
Defined pension contribution	686
Tax payables (PAYE, WHT & VAT)	48,694
Accounts payable	218,617
Others	26
	9,570,061

E-settlement payables relate to interbank payable arising from outward funds transfer from our customers/agents' wallets to other banks

16 Share capital

5,000,000,000 ordinary shares of N1 each	**5,000,000**

17 Employees and Directors

a Employees

The average number of persons employed by Smartcash Payment Service Bank Limited during the year was as follows:	**Number**
Executive directors (MD/CEO)	1
Management	4
Non-management	28
	33
Compensation for the above staff: (In thousands of Naira)	
Wages and salaries	388,064
Contributions to defined contribution plans	28,225
Performance Bonus & Incentives	81,900
Non-payroll staff cost (See below)	31,640
	529,829

NOTES TO THE FINANCIAL STATEMENTS

The number of employees of the Bank, including executive director (MD/CEO), who received emoluments in the following ranges (excluding pension contributions) were:

	Number
Less than N1,000,001	14
N1,000,001 - N2,000,000	13
N2,000,001 and above	6
	33

b Directors

Directors' emoluments (In thousands of Naira)

Remuneration paid to the Bank's directors was:

Directors' fees	27,822
Sitting allowances	830
Other director expenses	-
	28,652

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

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

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number
Less than N10,000,001	2
N10,000,001 and above	1
	3

18 Related Party Transactions

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

Nature of Transaction (In thousands of naira)	
Term Loan at 14% per annum (principal and accrued interest)	3,476,466
Intercompany payable for shared services	4,998,887
	8,475,353

Contravention, contingent liabilities and commitments

NOTES TO THE FINANCIAL STATEMENTS

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

There was no significant existing litigation against the entity as at 31 December 2022.

20 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.

NOTES TO THE FINANCIAL STATEMENTS

21. Risk Management

Smartcash Payment Service Bank Limited is governed by an Enterprise Risk Management Policy aimed at supporting the delivery of its strategic objectives. Whilst the most significant risks facing the Bank are tracked and monitored by the Board, individual operational units also implement the Enterprise Risk Management framework and maintain a register of their significant risks which will be presented to the Board at regular intervals. The Bank adjusted and reviewed its risk acceptance criteria considering new realities. Most economies slipped into recession, just as market yields fell across board. Risks were elevated i.e. exchange rate risk, re-pricing risk etc. The Bank strive to gain respect in the market and is well-positioned to take advantage of emerging opportunities in the economy.

Financial Risk Management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions, and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products, and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.
Risk management is carried out by the Bank under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

A comprehensive list of risks identified by the Bank and organized by risk categories as defined in the table below.

S/No	Risk Category	Sub-Category	Risk Examples
1	Strategic Risk	Market dynamic Innovation & Research Mergers & acquisition Planning & resource allocation Investor relations Strategic Partnership	a. Market Competitor activities b. Unstable Macro-economic conditions c. Political instability & terrorism d. Nature disasters e. Strategic partnership/contractual relationships
2	Operational Risk	Product Development Commercial Supply Chain People Information Security Physical Assets Health & Safety	a. Inadequate processes and systems b. Poor technological and innovation capabilities c. Poor brand position and reputation d. capacity constraint or scalability e. Fraud incidence f. Lack of effective disaster recovery plan g. Cyber security /threats
3	Financial Risk	Accounting & reporting Liquidity & Credit Capital Structure Taxation	a. Liquidity crunch b. Currency devaluation c. Availability of Forex d. Incorrect reporting of financial/non-financial

NOTES TO THE FINANCIAL STATEMENTS

S/No	Risk Category	Sub-Category	Risk Examples
			information e. Tax penalties f. Increasing Cost structure
4	Governance and Compliance Risk	Code of Conduct Legal Regulatory Corporate Governance	a. Non-compliance with laws and regulations b. corporate governance breaches c. Poor governance processes, responsibilities & accountability

Market Risk
Market risk is the risk of losses in on and off-balance sheet positions arising from movements in market prices. The movements in market prices that generate financial losses are adverse changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and other factors, such as market volatility and the correlation of market prices. A typical transaction or position in financial instruments may be exposed to several different market risks.

Liquidity Rate Risk
Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments. Liquidity risk, more generally, is the risk that the Bank will be unable to continue operating as a going concern due to a lack of funding. Liquidity can be affected by a range of institution specific and market-wide events including, but not limited to, market rumours, credit events, payment system disruptions, systemic shocks, terrorist attacks and even natural disasters. The Bank regularly monitors its liquidity risk through detailed cashflow analysis carried out by its Treasury department.

Credit Risk
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.

Foreign Exchange Risk
Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. The bank mitigates this risk by executing purchase contracts in local currency as much as practicable and utilizing counter parties to settle foreign currency obligations in a cost efficient manner.

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Naira

22. Classification of Financial Instruments

All financial instruments are measured at amortized cost.

Financial Assets	
Current balances with banks within Nigeria	1,174,601
Placements with local banks	5,100,000
Employee Receivable	7,574
Other accounts receivables	10,250
	6,292,425
Financial Liabilities	
Individual deposits	240,979
Agent deposits	139,214
Corporate deposits	174,495
Related party loan	3,476,466
Related parties payables	4,998,887
	9,030,041

Other National Disclosure

STATEMENT OF VALUE ADDED

In thousands of Naira	7 months ended 31 Dec 2022	%
Gross Income	236,479	
Interest Paid		
- Local	(140,518)	
	95,958	
	95,958	
Bought-In Material and Services		
- Local	(1,981,669)	
VALUE ERODED	**(1,885,711)**	**100**
DISTRIBUTION		
Employees		
- Wages, salaries, pensions and other employee benefits	529,829	(29)
The Future		
- Asset Replacement (Depreciation & Amortisation)	930,046	(50)
- Expansion (Reserves)	(3,345,586)	179
VALUE ERODED	**(1,885,711)**	**100**