

SOUTH AKIM RURAL BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019

Contents	Page
Corporate information	-
Five years financial summary and financial highlights	2
Statement of Directors' responsibilities	3-4
Report of the Directors	5-8
Corporate governance	9-16
Report of independent auditor	17-22
<i>Statement of comprehensive Income</i>	23
<i>Statement of financial position</i>	24-25
<i>Statement of changes in equity</i>	26-27
<i>Statement of cash flows</i>	28
Notes forming part of the financial statements	29-68

SOUTH AKIM RURAL BANK LIMITED

Corporate information for the year ended 31 December 2019

Board of Directors

Mr. William Kwadwo Boateng	-	Chairman
Mr. Daniel Ohene Kwaku Owusu	-	Vice Chairman
Mr. Stephenson Samuel Ayeh	-	Non-executive Member
Mrs. Elizabeth Afriyie Fianko	-	Non-executive Member
Mr. Michael Addo Amoah	-	Non-executive Member
Dr. Edward Kwapong	-	Non-executive Member
Mr. Joseph Sarpong	-	Non-executive Member
Dr. Mark Boadu	-	Non-executive Member

Management Team Members

Mr. Forson Temeng	-	Secretary/Supervising Manager
Mr. Stephen Yamoah Nteful	-	Head of Operations
Mrs. Felicity Baah	-	Head of Credit
Mr. Llewellyn Theophilus Okunka Bruce	-	Head of Human Resource
Mr. Mahama Sani	-	Head of Micro-Finance
Mr. Richard Kpodji	-	Head of Marketing
Mr. Mark Anim Ayeh	-	Head of Audit
Ms. Dzigbordzi Gadotor	-	Head of Risk and Compliance

Solicitors

Mr. I. Okyere- Darko
Baako Apem Chambers
P.O. BOX 32
Koforidua

Registered Office and Principal Place of Business

Bank Premises
P.M.B – Nankese
House No. N380
Nankese

Independent Auditors

UHY Voscon Chartered Accountants
2nd Floor, Cocoshe House,
Opposite Silver Star Tower
Agostinho Neto Close
Airport Residential Area
P.O Box LA 476
La-Accra.

Bankers

ARB Apex Bank Limited

Company Registration Number

CS293192018

Tax Identification Number

C000690453X

SOUTH AKIM RURAL BANK LIMITED

Five year financial summary	2019	2018	2017	2016	2015
Interest income	14,552,403	16,769,440	15,711,850	14,409,510	11,509,035
Interest expense	(3,617,845)	(3,424,369)	(3,805,122)	(3,807,835)	(2,802,438)
Commission and fees	1,270,685	1,328,336	1,281,953	1,132,759	1,077,450
Other operating income	657,410	240,890	300,460	207,759	130,577
Profit before tax	1,057,510	3,242,037	3,280,345	3,109,561	2,697,398
Profit after tax	633,209	2,160,363	2,343,843	2,342,241	2,508,888
Tax expenses	(416,033)	(1,081,674)	(936,502)	(767,320)	(188,510)
Total assets	80,161,223	74,873,550	69,058,684	60,841,890	48,872,874
Equity	10,540,257	11,731,714	11,012,711	9,118,205	6,617,930
Total equity and liabilities	80,161,223	74,873,550	69,058,684	60,841,890	48,872,874

Financial highlights	2019	2018	Percentage (%)
Interest income	14,552,403	16,769,440	(13.22)
Interest expense	3,617,845	3,424,369	5.65
Commission and fees	1,270,685	1,328,336	(4.34)
Other operating income	657,410	240,890	172.91
Profit before taxation	1,057,510	3,242,037	(67.38)
Total Assets	80,161,223	74,873,550	7.95
Equity	10,540,257	11,731,714	(-4.43)
Total equity and liabilities	80,161,223	74,873,550	7.95

SOUTH AKIM RURAL BANK LIMITED

Statement of Directors' responsibilities

Directors' responsibilities in respect of the financial statements

The Directors are required to ensure that adequate accounting records are maintained so as to disclose at reasonable adequacy, the financial position of the Bank. They are also responsible for steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They must present financial statements for each financial year, which give a true and fair view of the affairs of the Bank, and the results for that year. In preparing these financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment.
- state whether or not the Companies Act, 1963 (Act 179) (repealed) and subsequently by the Companies Act, 2019 (Act 992), the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with International Financial Reporting Standards ("IFRS") have been adhered to and explain material departures thereto.
- use the going concern basis unless it is inappropriate.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the year under review, which could have a material impact on the business.

The financial statements are prepared from the accounting records on the basis of consistent use of appropriate records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Bank. The financial statements have been prepared on a going concern basis and there is no reason to believe that the Bank will not continue as a going concern in the next financial year. The Directors confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently.
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis

SOUTH AKIM RURAL BANK LIMITED

Statement of Directors' responsibilities (continued)

Directors' responsibilities in respect of the financial statements (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them ensure that the financial statements comply with the Companies Act, 1963 (Act 179) (repealed) and subsequently by the Companies Act, 2019 (Act 992). They are also responsible for safe guarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By the order of the Board:

Name of Director.....

Name of Director.....

Signature.....

Signature.....

Date.....

Date.....

**Report of the Directors
to the members of
South Akim Rural Bank Limited**

In accordance with the requirement of section 132 of the Companies Act, 1963 (Act 179) (repealed) and subsequently by the Companies Act, 2019 (Act 992), section 136 and the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we present our report together with the audited financial statements for the year ended 31 December 2019, which disclose the statement of the affairs of South Akim Rural Bank Limited (the "Bank").

Financial results

Detailed financial results for the year are set out in the attached audited financial statements with an extract as below.

	2019	2018
Total income	<u>16,480,498</u>	<u>18,338,666</u>
Profit before tax for the year	1,057,510	3,242,037
from which is deducted income tax expense of	<u>(424,301)</u>	<u>(1,081,674)</u>
giving profit after tax of	633,209	2,160,363
to which is added balance on retained earnings account brought forward of	<u>2,333,284</u>	<u>3,157,144</u>
leaving a balance before statutory and other transfers of	2,966,493	5,317,507
From which the following transfers were made:		
Transfer to statutory reserve	(158,302)	(540,091)
Transfer to stated capital	-	-
Transfer to dividend account	(940,116)	(766,550)
Transfer to bonus issue account	-	(1,277,582)
Transfer to development fund account	<u>(200,000)</u>	<u>(400,000)</u>
	<u>1,668,075</u>	<u>2,333,284</u>

The Directors consider the state of affairs of the Bank to be satisfactory.

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Stated capital and capital adequacy ratio

The Bank has complied with the minimum capital requirement and the 10% minimum capital adequacy ratio.

Dividends

The Directors do not propose dividend for the year 2019 in compliance with the directive of Bank of Ghana

Principal activities

The principal business of the Bank is to provide banking and related services including taking deposits and lending money. This has not changed during the year

Appointment, retirement and re-election of Board Members

In accordance with Section 298 of the Companies Act, 1963 (Act 179) as replaced by the Companies Act, 2019 (Act 992) effective August 2019 and the Regulations of the Bank, Dr. Edward Kwapong, Mr. Joseph Sarpong and Mrs. Elizabeth Fianko were re-elected as Directors in 2019.

Mr. Festus K. Ofosu was newly appointed as a Director at the Annual General Meeting held in July 2019. His appointment is yet to be confirmed by the Bank of Ghana.

Two Directors, Nana Kwaku-Addo II and Mr. Emmanuel Christian Asante-Akufo passed away in 2018 and 2019 respectively and were removed from the Board of Directors register.

Board of Directorate

The Directors in office at the end of the reporting year were:

Directors	Qualification/ Profession	Designation	Outside board & management position
Mr. William Kwadwo Boateng	Dip. Part A&B (CIB London)	Chairman	Entrepreneur
Mr. Daniel Ohene Kwaku Owusu	MBA (Accounting)	Vice chairman	Banking
Mr. Stephenson Samuel Ayeh	MSLC	Member	Printing
Mrs. Elizabeth Afriyie Fianko	Diploma in Basic Education	Member	Teaching
Mr. Michael Addo Amoah	Bsc Accounting	Member	Procurement Officer
Mr. Stephenson Samuel Ayeh	MSLC	Member	Printing
Mrs. Elizabeth Afriyie Fianko	Diploma in Basic Education	Member	Teaching
Mr. Michael Addo Amoah	Bsc Accounting	Member	Procurement Officer
Dr. Edward Kwapong	B. Law/Master of Public Admin, PhD humanities albeit Honorary	Member	Legal/HR Consultant
Mr. Joseph Sarpong	Technological Certificate	Member	Chief Technologist
Dr. Mark Boadu	PhD Corporate Governance	Member	Lecturer

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Professional development and training

During the year, various training for management were undertaken which covered anti-money laundering, IFRS and Customer relationship. Some members of the Board availed themselves for the training. No formal and tailored training programme were organized for the Board of Directors. Training to the Board of Directors is essential as this will enable them continually update their skills, their knowledge and familiarity with the company's businesses, their awareness of sector, risk, regulatory, legal, and financial and other developments to enable them to fulfil effectively their role on the Board. In view of the new capacity building of the board of Directors, an amount is set aside in the budget for Directors training and professional development.

Directors' capacity building

The Directors were made to attend various training on their own though there had not been any tailored training for the Directors during the year. The Company is making plans ahead of time to build the capacity of the Directors of the Company. An amount was provided for in the 2020 budget for that.

Conflict of interest and compliance

The Bank has established appropriate conflicts and authorization procedures, whereby actual or potential conflict or complaints are regularly reviewed and authorization sought as appropriate. During the year, no such conflicts arose. Necessary actions were also taken to resolve customers' complaints.

Auditor

The external auditors are responsible for independently reviewing and reporting on the Company's financial statements for the year. The financial statements have been reviewed by the Company's external auditors and their report is presented on pages 17-22.

Messrs UHY Voscon Chartered Accountants, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. UHY Voscon Chartered Accountants will continue in office in accordance with the provisions of section 139 (11) of the Companies Act, 2019 (Act 992) and in accordance with the directives of the Bank of Ghana.

Audit fees

The amount payable for the 2019 statutory audit is GHS 31,323 excluding Value Added Tax (VAT) and National Insurance Levy and Ghana Education Trust Fund levy.

Events after reporting year

On March 10, 2020, the Bank received a letter which states an amount owed for software application effective 1st October, 2019 from ARB Apex Bank Limited. The amount is GHS 385,054 payable over 8 equal installment. The life span of the software is 10 years. Relevant adjustments were done to the financial statements.

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Corporate social responsibilities

The Bank gave scholarship to needy but brilliant students in the community and also contributed to the physical structure of Nankese Senior High School, National Service Secretariat, Farmers' Day celebration, District Independent Day celebration and Nankese Presby School. No donations were made to any political organization.

Related party transactions

Related party transactions and balances are disclosed in note 36 to the financial statements. All the Directors and key management personnel have interest in shares but not loan stock of the company. Other than service contracts, no Director has a material interest in any contract to which the company was a party during the year.

Code of ethics

a. Employee

South Akim Rural Bank Limited has a Code of ethics for the staff and has been made available to all employees of the Bank through Union of Industry Commerce & Finance (UNICOF) of the Ghana Trade Union Congress (GTUC).

Approval of financial information

The financial information for the year set out on pages 23 to 66 which have been prepared on a going concern basis, were approved by the Board of Directors on 2020 and are signed on their behalf

By the order of the Board:

Name of Director.....

Name of Director.....

Signature.....

Signature.....

Date.....

Date.....

SOUTH AKIM RURAL BANK LIMITED

Corporate Governance (CG) report

South Akim Rural Bank Limited is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and Executive Management to provide effective oversight and management of the Bank in a manner that enhances shareholders' value and promotes investors' confidence. The Bank's corporate governance principles are contained in a number of corporate documents. The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Executive Management, approval of business strategies, evaluation of performance and assessment of major risks facing the Bank. In discharging its obligations, the Board exercises judgment in the best interest of the Bank and relies on the Bank's Executive Management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's Executive Management subject to clear instructions in relation to such delegation of authority and the circumstances in which Executive Management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank. The Board is made up of Non-Executive Directors.

South Akim Rural Bank Limited's commitment to ensuring international best practice in terms of Corporate Governance remains strong and unwavering.

1. Board composition

Membership of the Board is made up of eight (8) persons. The Board at all times, shall be regulated by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930), notices of Bank of Ghana and ARB Apex Bank Limited. All the Directors have varied experience and backgrounds and are well equipped to handle the responsibilities of the Board.

Frequency of meetings

Meetings of the Board are usually held monthly, but may be convened at any time the need arises.

The Board's oversight of the operations and activities of the Bank continues to be carried out transparently. The Board shall concentrate on policy direction of the Bank whilst the day to day administration of the Bank is vested in the Supervising Manager and his team.

Approval and acceptance of high risk Loans and Overdraft and Investment portfolios are done by the whole Board at their meetings. The Board acts as the general policy maker of the Bank. Below are some other mandates of the Board:

- Approval of budgets i.e. corporate plans, annual budgets, quarterly budgets, etc.
- Approval and review of the remuneration and incentives for staff and their general welfare
- Handles disciplinary issues with recommendations from the Supervising Manager and the Disciplinary Committee
- Acquisition and disposal of all assets have to be approved by the Board

- Promotion of staff based upon the recommendation of the Supervising Manager
- Oversight of Supervising Manager and the Management team
- Policy formulation (the guidelines necessary for the Bank to operate efficiently)
- Policy formulation that encompasses all core functions e.g. finance, audit, procurement, recruitment.

SOUTH AKIM RURAL BANK LIMITED

Corporate Governance (CG) report (continued)

Board Sub-Committees

By resolution, the Board established five (5) Committees in the performance of its mandate. These Committees are:

- Technical and Planning Committee
- Audit, Risk and Compliance Committee
- Human Resource and Development Committee
- Marketing, Mobilization and Microfinance Committee
- ICT Committee

Technical and Planning Committee

The Committee is composed of Mr. Daniel Ohene Kwaku Owusu (Chairman), Mr. William Kwadwo Boateng, Dr. Edward Kwamong, Mr. Forson Temeng and ex-officio: Mr. Stephen Yamoah Nteful, Mrs. Felicity Baah, Mr. Richard Kpodji, Mr. Shani Mahama, and Mr. Llewellyn Theophilus Okunka Bruce being the Secretary.

Remit of the Committee

The Committee will meet at least once every month to deal with among others:

- Loans and overdraft issues
- All operational matters of the Bank
- Any other matter referred to the Committee by the Board

Audit, Risk and Compliance Committee

The Committee is composed of Mr. Daniel Ohene Kwaku Owusu (Chairman), Mr. William Kwadwo Boateng, Dr. Mark Boadu, Mr. Stephen Yamoah Nteful and Mr Mark Anim Ayeh being the Secretary of the Committee and ex-officio: Ms. Dzigbordi Gadotor

The Committee's terms of reference are stated below:

The Committee shall meet every quarter and shall examine the budget comparing it with actual performance. The Committee will also see whether the Bank was meeting the objectives set up in the Corporate Plan specifically the Committee will share and report on

- Audit report

- Bank of Ghana on-site examination Report
- Budget variance analysis
- Procurement of essential assets

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Audit Committee (continued)

Scope of activity

- A review of current financial statements and Bank of Ghana on Site Examination Report
- An assessment of whether the financial statements are complete and consistent with the information known to the Committee members and management and reflect appropriate accounting principles
- Particular emphasis should be paid to complex or unusual transactions
- Review of the report by auditors (Internal and external), as appropriate, on the audit scope and plan or audit findings generally
- Working closely with management and the Internal Auditor and External Auditor
- Effective oversight requires the Committee to have a significant interaction with management, to ask difficult questions, and to obtain reasonable answers. To do this, the members must have a solid understanding of the Bank's business and operations
- Working with the External Auditor, the Committee should ensure the independence of the external auditor, including the monitoring of any non-audit services and related fees
- Understand and approve the proposed audit scope, approach, and fees
- Understand the audit findings and ensure that management addresses any problems in a timely and effective manner, particularly if there is a qualified opinion
- Be readily available to the External Auditor for any formal or informal comments

Human Resource and Development Committee

Composition

The Committee is composed of Dr. Edward Kwapong (Chairman), Dr. Mark Boadu, Mr. Stephenson Samuel Ayeh, Mr. Joseph Sarpong, Mr. Forson Temeng and ex-officio: Llewellyn Theophilus Okunka Bruce being the Secretary.

The objectives of HRDC as shown below:

The Committee shall meet at least once every quarter. To ensure that the Bank has adequate qualified staff for its operations, and ensure that there are effective system for:

- Recruitment
- Training
- Salary administration including placement
- Staff welfare
- Proper system at the workplace to ensure staff health
- Arranging durbars

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Marketing, Mobilization and Microfinance Committee (MMMC)

Composition

The Committee is composed of Mr. Stephenson Samuel Ayeh (Chairman), Mrs. Elizabeth Afriyie Fianko, Mr. Michael Addo Amoah, Mr. Forson Temeng, and ex-officio: Mr. Stephen Yamoah Nteful, Mrs. Felicity Baah, Mr. Shani Mahama and Mr. Richard Kpodji being the Secretary.

The objectives of MMMC as shown below:

In view of the competitive nature of the business, the Committee will ensure that the Bank maintains its market share. The Committee will therefore concern itself with bench marks set for Deposit level, Loans and Advances and will arrange advertisement, both Bill Boards and Newspaper/radio.

Responsibilities;

The Committee will be responsible for supervising all aspects of Micro-Finance in the Bank including group organisation and education, relations with donor bodies (Subject to the approval of the Board), arranging loans and recoveries, getting all rank and file to show interest in Micro-Finance Scheme. The Committee will also arrange education of the youth in the catchment arrears of the Bank in entrepreneurship.

The Committee will oversee the Bank's susu system and encourage participants to get into the normal banking system when their operations experience growth.

ICT Committee

The Committee is composed of Mr. Joseph Sarpong (Chairman), Mr. Michael Addo Amoah, Dr. Mark Boadu, Mrs. Elizabeth Afriyie Fianko, and ex-officio: Mr. Gilpen Ofori Okyere, Mr. Forson Temeng and Mr. Stephen Yamoah Nteful being the Secretary

Remit of the Committee

The Committee shall:

- Implement new updates in ICT
- Development of ICT policy
- Install new updates in the Bank's software

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

The Board and its Committees met as follows:	Number of meetings
Board of Directors	9
Technical and Planning Committee	12
Audit, Risk and Compliance Committee	3
Human Resource Committee	2
Marketing/Mobilization Committee	2
ICT Committee	1

Attendance at board and committee meetings

The Bank of Ghana stipulates that Directors must attend meetings as and when they are organized. Currently it is directed by Bank of Ghana for all financial institutions to have a meeting at least every quarter. Good corporate governance is fundamental to the long term success of any institution. This remains the bedrock of the operations of the Bank and its Board.

Board of Directors

The Board of Directors conveyed Nine (9) meetings.

Directors	Total number attended	Percentage (%)
Mr. William Kwadwo Boateng (Chairman)	9	100
Mr. Stephenson Samuel Ayeh	9	100
Mrs. Elizabeth Afriyie Fianko	9	100
Mr. Daniel Ohene Kwaku Owusu	8	89
Mr. Michael Addo Amoah	8	89
Dr. Edward Kwapong	9	100
Mr. Joseph Sarpong	7	78
Dr. Mark Boadu	9	100

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Frequency of meetings (continued)

Technical and Planning Committee

Technical and Planning Committee convened Twelve (12) meetings during the year under review.

Members	Total number attended	Percentage (%)
Mr. Daniel Ohene Kwaku Owusu (Chairman)	10	83
Mr. William Kwadwo Boateng	12	100
Dr. Edward Kwapong	9	75
Mr. Forson Temeng	11	92
Ex-officio		
Mr. Shani Mahama	11	92
Mrs. Felicity Baah	12	100
Mr. Richard Kpodji	11	92
Mr. Llewellyn Theophilus Okunka Bruce - the Secretary.	8	67
Mr. Stephen Yamoah Nteful	9	75

Audit Committee

The Audit Committee convened Three (3) meetings during the year under review.

Members	Total number attended	Percentage (%)
Mr. Daniel Ohene Kwaku Owusu (Chairman)	3	100
Mr. William Kwadwo Boateng	3	100
Mr. Stephen Yamoah Nteful	2	67
Dr. Mark Boadu	2	67
Mr. Mark Anim Ayeh-Secretary	3	100
Ex-officio		
Ms. Dzigbordi Gadotor	1	33
Mr. Forson Temeng	3	100%

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Frequency of meetings (continued)

Human resource and development committee

The Human resource Committee convened Two (2) meetings during the year under review.

Members	Total number attended	Percentage (%)
Dr. Edward Kwapong (Chairman)	2	100
Mr. Stephenson Samuel Ayeh	2	100
Mr. Joseph Sarpong	2	100
Dr. Mark Boadu	1	50
Mr. Forson Temeng	2	100
Ex-officio		
Mr. Llewellyn Theophilus Okunka Bruce -Secretary	1	50

Marketing, Mobilization and Microfinance Committee

The Market/Mobilization and Microfinance Committee convened Two (2) meetings during the year under review.

Members	Total number attended	Percentage (%)
Mr. Stephenson Samuel Ayeh(Chairman)	2	100
Mr. Michael Addo Amoah	2	100
Mr. Stephenson Samuel Ayeh	2	100
Mrs. Elizabeth Afriyie Fianko	2	100
Mr. Forson Temeng	1	50
Ex-officio		
Mr. Stephen Yamoah Nteful	1	50
Mrs. Felicity Baah	0	0
Mr. Richard Kpodji-Secretary	2	100
Mr. Shani Mahama	2	100

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

ICT Committee

Frequency of meetings (continued)

The ICT Committee convened One (1) meeting during the year under review.

Members	Total number attended	Percentage (%)
Mr. Joseph Sarpong (Chairman)	1	100
Mrs. Elizabeth Afriyie Fianko	1	100
Mr. Michael Addo Amoah	1	100
Dr. Mark Boadu	1	100
Ex-officio		
Mr. Gelpen Ofori Okyere	1	100
Mr. Stephen Yamoah Nteful - the Secretary	1	100
Mr. Forson Temeng	1	100

By order of the Board

Name of Board Chairman.....

Signature.....

Date.....

**Independent Auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements

Opinion

In our opinion, the Bank has kept proper accounting records and the financial statements are in agreement with the records in all material respects and report in the prescribed manner, information required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2019, and of its financial performance and statement of cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the Institute Chartered Accountants Ghana (ICAG).

What we have audited

We have audited the accompanying financial statements of the South Akim Rural Bank Limited for the year ended 31 December, 2019.

The financial statements comprise:

- statement of comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2019;
- statement of changes in equity for the year ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

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 within the meaning of International Ethics Standards Board for Accountants (IESBA) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independent Auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

Independence

We are independent of the Company within the meaning of the International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities with the IESBA Code.

Emphasis of matter- Effects of enactment of the Companies Act, 2019 (Act 992)

We draw your attention to Note 39 of the financial statements, which describe the effects of the enactment of the Companies Act, 2019 (Act 992) which came into force on 5th August, 2019. Our opinion is not modified in respect of this matter.

Going concern

The financial statements of the Bank have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significance doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Bank. Based on our audit of the financial statements of the Bank, we also have not identified such a material uncertainty.

However, neither management nor the auditor can guarantee the Bank's ability to continue as going concern.

**Independent Auditor’s report
to the members of
South Akim Rural Bank Limited**

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to the key audit matter described below, and we do not express an opinion on the individual matter.

Key Audit Matter	How our audit address the issue
<p>Adoption of IFRS 16 In accordance with the compliance to IFRS, any new standard that is applicable to the industry a Company operates must be adopted by the Company. At the end of the year 2019, the Bank did not adopt this standard.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We sought to know why the Bank decided not to adopt the new standards. The non-compliance was due to the fact that they have contracted a consultant to work on a policy document for full implementation, the consultant was not able to honour the contract so management have decided to implement in 2020. • We also communicate with those charged with governance and they confirm the position.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, which we obtained prior to the date of this auditor’s report. The other information does not include the financial statements, and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not 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. 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.

**Independent Auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

Responsibilities of Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). These responsibilities include designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether 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 planning and performance of the audit. We also:

- Identify and assess the risks of material misstatements 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 misstatements resulting from the 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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

**Independent Auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We are also required to 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, related safeguards.

Report on other legal and regulatory requirements

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992)

The Companies Act, 1963 (Act 179) (repealed) and subsequently by the Companies Act, 2019 (Act 992) requires that in carrying out our audit work we consider and report on the following matters. We confirm that:

1. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
2. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
3. the statement of financial position and the statement of profit or loss and other comprehensive income of the Company are in agreement with the books of account.
4. We are independent of the Bank pursuant to section 143 of the Act.

Banking Act

In accordance with Section 85 (2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we hereby confirm that:

1. The accounts give a true and fair view of the state of affairs of the Bank and its results of operations for the year under review;
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;

3. The Bank's transactions were within its powers;
4. In our opinion, the Bank has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and the regulations enactments; and
5. The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

**Independent Auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is **Emmanuel K.D. Abbey (ICAG/P/1167)**

For and on behalf of:

UHY Voscon (ICAG/F/2020/086)

Chartered Accountants

P.O.Box LA 476, La, Accra

2nd Floor, Cocoshe House

Opposite Silver Star Tower

Agostinho Neto Close,

Airport Residential Area

Accra – Ghana.

E: info@uhyvoscon-gh.com

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G.A-057-1475

Date:

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December 2019
Statement of comprehensive income

(All amounts are stated in Ghana cedis unless otherwise stated)

		<i>for the year ended 31 December</i>	
	Notes	2019	2018
Interest income	7	14,552,403	16,769,440
Interest expense	8	<u>(3,617,845)</u>	<u>(3,424,369)</u>
Net interest income		10,934,558	13,345,071
Commissions and fees	9	1,270,685	1,328,336
Other operating income	10	<u>657,410</u>	<u>240,890</u>
Total operating income		12,862,653	14,914,297
Impairment of loan	10.1	(607,282)	(895,873)
Other operating costs	11	<u>(11,197,860)</u>	<u>(10,776,387)</u>
Profit before taxation		1,057,510	3,242,037
Taxation	12	<u>(424,301)</u>	<u>(1,081,674)</u>
Profit after taxation		633,209	2,160,363
Other comprehensive income		<u>125,664</u>	-
Total comprehensive income attributable to the Shareholders		<u>758,873</u>	<u>2,160,363</u>

The notes on pages 29 to 66 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019

Statement of financial position

(All amounts are stated in Ghana cedis unless otherwise stated)

as at 31 December

	Notes	2019	2018
Assets			
Cash and bank balances	13	10,680,097	8,397,891
Short-term investments	14	3,500,000	2,500,000
Investment in subsidiary	17	1,800	1,800
Trading investment	15	27,646,707	26,955,499
Loans and advances to customers	18	33,843,408	32,951,776
Equity investments	19	196,388	70,724
Other assets	20	2,354,262	2,275,215
Prepayments	21	266,148	383,845
Deferred tax asset	12	88,887	75,663
Property, plant and equipment	22	1,208,098	1,261,137
Intangible assets	23	<u>375,428</u>	<u>-</u>
Total assets		<u>80,161,223</u>	<u>74,873,550</u>
Liabilities and equity			
Liabilities			
Customer deposits	24	65,898,780	59,189,330
Term borrowings and others	25	792,528	96,900
Account payables	26	1,808,929	2,453,306
Dividend payable	27	1,183,205	977,027
Taxation		<u>(62,476)</u>	<u>425,273</u>
Total liabilities		<u>69,620,966</u>	<u>63,141,836</u>
Equity			

Stated capital	28	3,448,472	3,223,655
Equity reserve		125,664	-
Development fund	29	2,841,190	3,172,307
Deposit for shares		5,243	25,356
Credit risk reserve	29.1	(257,804)	294,224
Statutory reserve fund	30	2,709,417	2,682,888
Retained earnings		<u>1,668,075</u>	<u>2,333,284</u>
Total equity		<u>10,540,257</u>	<u>11,731,714</u>
Total liabilities and equity		<u>80,161,223</u>	<u>74,873,550</u>

The notes on pages 29 to 66 are integral part of these financial statements.

These financial statements were approved by the Board on..... 2020 and signed on their behalf by:

Name of Director.....

Name of Director.....

Signature.....

Signature.....

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December 2019
Statement of changes in equity

(All amounts are stated in Ghana cedis unless otherwise stated)

31 December 2019

	Stated Capital	Capital surplus	Retained earnings	Develop't Fund	Credit Risk	Statutory Reserve Fund	D'sit For shares	Total
At year start	3,223,655	-	2,333,284	3,172,307	294,224	2,682,888	25,356	11,731,714
Deposit for shares	-	-	-	-	-	-	204,704	204,704
Development fund utilized (Adoagyiri)	-	-	-	(662,890)	-	-	-	(662,890)
Transfer from deposit for shares	25,356	-	-	-	-	-	(25,356)	-
Profit for the year	-	-	633,209	-	-	-	-	633,209
Transfer to statutory reserve	-	-	(158,302)	-	-	158,302	-	-
Revaluation gain-equity investment	-	125,665	-	-	-	-	-	125,665
Transfer to development fund	-	-	(200,000)	200,000	-	-	-	-
Transfer to stated capital	199,461	-	-	-	-	-	(199,461)	-
Movement in BOG and IFRS 9 loan provision	-	-	-	-	(552,029)	-	-	(552,029)
Dividend	-	-	(940,116)	-	-	-	-	(940,116)
At year end	<u>3,448,472</u>	<u>125,665</u>	<u>1,668,075</u>	<u>2,709,417</u>	<u>(257,805)</u>	<u>2,841,190</u>	<u>5,243</u>	<u>10,540,257</u>

SOUTH AFRICAN RURAL BANK LIMITED
Financial statements for the year ended 31 December 2019
Statement of changes in equity

(All amounts are stated in Ghana cedis unless otherwise stated)

31 December 2018	Stated	Capital	Retained	Develop't	Credit	Statutory Reserve	D'sit For
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The notes on pages 29 to 66 are integral part of these financial statements.

	capital	surplus	earnings	Fund	Risk	Fund	shares	Total
At year start	2,406,680	70,000	3,363,629	3,025,796	-	2,142,797	3,810	11,012,712
Prior year adjustment	<u>(639,000)</u>	-	<u>(206,485)</u>	-	-	-	-	<u>(845,485)</u>
Reinstated balance	1,767,680	70,000	3,157,144	3,025,796	-	2,142,797	3,810	10,167,227
Deposit for shares	-	-	-	-	-	-	25,356	25,356
Shares Issued	174,583	-	-	-	-	-	-	174,583
Transfer from deposit for shares	3,810	-	-	-	-	-	(3,810)	-
Kade Agency Dev't	-	-	-	(253,489)	-	-	-	(253,489)
Bonus shares Issued	1,277,582	-	(1,277,582)	-	-	-	-	-
Profit for the year	-	-	2,160,363	-	-	-	-	2,160,363
Transfer to statutory reserve	-	-	(540,091)	-	-	540,091	-	-
Revaluation deficit-equity investment	-	(70,000)	-	-	-	-	-	(70,000)
Transfer to development fund	-	-	(400,000)	400,000	-	-	-	-
Transfer to stated capital	-	-	-	-	-	-	-	-
Movement in BOG and IFRS 9 loan provision	-	-	-	-	294,224	-	-	294,224
Dividend	-	-	<u>(766,550)</u>	-	-	-	-	<u>(766,550)</u>
At year end	<u>3,223,655</u>	<u>-</u>	<u>2,333,284</u>	<u>3,172,307</u>	<u>294,204</u>	<u>2,682,888</u>	<u>25,386</u>	<u>11,731,714</u>

The notes on pages 29 to 66 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019

Statement of cash flow

(All amounts are stated in Ghana cedis unless otherwise stated)

	Notes	2019	2018
Cash generated from operations before taxation	38	6,271,897	4,818,475
Tax paid			<u>(925,273)</u>
<u>(970,755)</u>			
Net cash generated from operating activities		<u>5,346,624</u>	<u>3,847,720</u>
Cash flows from investing activities:			
Purchase of property, property and equipment		(299,131)	(290,180)
Increase in Investment		(691,207)	(327,816)
Purchase of intangible asset		<u>(385,054)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,375,393)</u>	<u>(617,996)</u>
Financing activities:			
Proceeds from issue of shares		204,704	199,940
Net loan receipt		503,100	(633,581)
Development expenditure		(662,890)	(253,489)
Dividend paid		<u>(733,938)</u>	<u>(575,246)</u>
Net Cash paid for Financing activities		<u>(689,024)</u>	<u>(1,262,376)</u>
Increase in cash and cash equivalents		3,282,207	1,967,348
Cash and cash equivalents at the beginning of the year		<u>10,897,890</u>	<u>8,930,542</u>
Cash and cash equivalents at the end of the year end		<u>14,180,097</u>	<u>10,897,891</u>
Analysis of cash and cash equivalents:			
Cash and bank balances		10,680,097	8,397,891
Short term investment		<u>3,500,000</u>	<u>2,500,000</u>
At year end		<u>14,180,097</u>	<u>10,897,891</u>

The notes on pages 29 to 66 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December 2019
Notes and significant accounting policies

(All amounts are stated in Ghana cedis unless otherwise stated)

Notes

1. Reporting entity

The South Akim Rural Bank Limited (SARB) is a Limited Liability Company registered in Ghana and authorised by its Regulations and a banking license issued by the Bank of Ghana to engage in the provision of banking and related services including the taking of deposits and lending of money. It was incorporated on 25th August 1984 and commence business on 13th June 1986.

The Bank is domiciled in Ghana with its Head Office in Nankese and its agencies located in the Eastern region.

2. Summary of significant accounting policy

2.1 Basis of preparation

a. Statement of compliance

The financial statements of South Akim Rural Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Financial Reporting Standard Board (IFRSB) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

The financial statements were approved by the Board of Directors on the date signed under the financial position.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments to the extent required or permitted under the Bank's accounting policies and set out below.

- Assets and liabilities held for trading are measured at fair value
- Financial instruments designated at fair value through profit or loss are measured at fair value
- Investments in equity are measured at fair value
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual terms do not give rise solely to payments of principal and interest are measured at fair value; and
- Available-for-sale financial assets are measured at fair value

c) Functional and presentation currency

These financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional currency. Financial information in Ghana cedis have been rounded to the nearest one Ghana Cedi (GH¢ 1)

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

d) Use of estimates and judgements

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

2.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by the Bank.

2.2.1 Revenue recognition

The Bank recognises revenue in the financial statements on the accrual basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Bank's activities. The Bank bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Interest income

Interest income, including income arising from loans and advances and other financial instruments are recognised in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset. 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 year to the net carrying amount of the financial asset. 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 group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The recognition of interest income ceases when the payment of interest or principal is in doubt. Interest is included in income thereafter only when it is received. Loans are re-evaluated on the accrual basis only when doubts about their collectability are removed and when the outstanding arrears of interest and principal are received.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.1 Revenue recognition (continued)

(b) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service is provided. Commission and fees arising from negotiation or participation in the negotiation of a transaction such as the arrangement for a loan are recognised upon completion of the underlying transaction.

Commissions and facility fees are credited to income when earned with reasonable certainty and in the case of facility fees, in the year in which the related loan is granted.

(c) Dividend income

Dividends are recognised in the statement of profit or loss in 'dividend income' when the Bank's right to receive payment is established.

2. 2.2 Interest Expense

Interest expense is recognised in the profit or loss for all interest bearing financial instruments measured at amortised cost, this include savings and fixed deposits, current accounts and loans from ARB Apex as interest accrues using the effective interest rate method.

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

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument.

2.2.3 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.3 Income tax expense (continued)

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2.2.3 Financial assets and liabilities

a) Recognition

The Bank initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

b) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.3 Financial assets and liabilities (continued)

c) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

d) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

e) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

f) Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.3 Financial assets and liabilities (continued)

f) Identification and measurement of impairment (continued)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognised through other comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with ARB Apex Bank Limited and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.3 Financial assets and liabilities (continued)

i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date, the financial asset is accounted for as a loan, and the underlying asset is not recognised in the Bank financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Bank chooses to carry the loans and advances at fair value through profit or loss.

j) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

2.2.4 Provisions

Provisions are recognised when the Bank has:

- a present obligation (legal or constructive) as a result of a past event,
- and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,
- and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingents liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.4 Provisions (continued)

(a) Provision for restructuring/reorganization

A restructuring or reorganization is a programme that is planned and controlled by management which will materially change the scope and manner in which the business is conducted e.g. the termination or sale of business. A provision for restructuring can only be recognized if there is a constructive obligation which is established if the following conditions are met:

- There is a detailed formal plan that identifies the part of the business, location and employees who will be affected by the restructuring
- A valid expectation has been created to those who will be affected by the restructuring.
Provision for restructuring is made if a constructive obligation exists before the end of the financial year. However if the constructive obligation arises after year end, and the provision is material, the material effect is disclosed in the financial statements in accordance with IAS 10.

Restructuring provision cost include direct expenditures that will be incurred because of the restructuring and excludes any cost associated with ongoing activity of the entity. E.g. training of staff, relocation of staff, marketing and investment in new machinery

2.2.5 Employee benefits

Short term employment benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the year in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as result of past performance.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity.

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Payments to defined contribution retirement benefits plans are charged as an expense as they fall due.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.5 Employee benefits (continued)

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

(a) National pension scheme

The Bank contributes 13.0% of qualifying employee costs to a National Pensions Scheme and the contribution is charged to the Profit and Loss Account as part of total Employee Benefit. The National Pension Scheme is a creation of law and managed by the Government of Ghana through the appropriate public and private sector entities.

(b) Provident fund

The Bank has a provident fund scheme for all employees who have completed their probation with the Bank. Employees of the Bank contribute 9% of their basic salary to the fund while the Bank contributes 7.5%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated. The fund is managed by Metropolitan Pensions Trust Ghana

Termination benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized if Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

2.2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories are measured using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the estimated costs necessary to make the sale.

Cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventories are stationeries of the Bank.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.7 Impairments of assets and other financial assets

The Bank assesses at each end of the reporting year whether there is any indication that an asset may be impaired. If any such indication exists, that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is possible to estimate the recoverable amount of the individual asset, the recoverable amount of the Cash-Generating Unit (CGU) to which the asset belongs is determined. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less than any accumulated depreciation or amortization is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a downward revaluation.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as an upward revaluation.

2.2.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as part of equity.

2.2.9 Related parties

Related parties are individuals and companies, where the individual and the Bank have the ability directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements.

2.2.10 Property, plant and equipment

All property, plant and equipment are 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 recognised 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 derecognised. All other repair and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Property, plant and equipment (continued)

- Land and Buildings	5% per annum
- Plant and Machinery	25% per annum
- Office Equipment	25% per annum
- Motor Vehicles	33 ¹ / ₃ % per annum
- Computers and Accessories	25% per annum
- Furniture, Fittings and Structures	20% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. Assets are reviewed 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. No property and equipment were impaired as at 31 December 2019 (2018 December: nil).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.2.11 Intangible assets

Intangible assets are initially recognized at cost.

Where an intangible asset arises through an internal project, the cost of that intangible asset is the total expenditure incurred from the development phase of the project when the Company can demonstrate all of the following:

- the technical feasibility to completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Expenditure incurred during the research phase of an internal project and all other expenditure incurred on internally generated intangible assets is recognised as an expense in the income statement when it is incurred.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. For purposes of determining the amortisation of intangible assets, the useful lives of these assets are assessed as being either indefinite or finite.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2.2.11 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. Amortisation is not provided for these intangible assets but test for impairment.

For all other intangible assets, amortisation is provided on a straight line basis so as to write down the cost of the intangible assets, less their residual values, on the straight line basis over their useful lives

The amortisation charge is recognised as an expense in the income statement. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed and adjusted if necessary on an annual basis. These changes are accounted for as a change in estimate.

Intangible assets with indefinite useful lives are tested for impairment annually by determining the recoverable amount of the assets either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment is made prospectively.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an intangible asset is included in the income statement and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the date of de-recognition.

Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is ten (10) years periods. The only software acquired during the year was Temenos 24 (T24) which the software used by the Bank for their operations.

2.2.11 Impairment of non-financial assets

Assets 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 grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.2.12 Standards/Amendments to standards issued that the Bank has not adopted for the reporting year

2.2.12.1 IFRS 16, Leases

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, and unless the underlying asset is of low value. Applicable on or before 1 January 2019.

3. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgments and assumptions made in applying the bank's accounting policy

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and assumptions that have a risk of causing adjustments to the carrying amounts are:

(i) Fair value of financial instruments

The fair values of financial instruments where no actual markets exist or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

(ii) Investment measured at amortised cost

The Bank follows guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as investment measured at amortised cost. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to collect investment income. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as investment measured at fair value through other comprehensive income. These investments would therefore be measured at fair value and not amortised cost.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

3. Critical accounting estimates and judgments (continued)

(iii) Property, plant and equipment

Critical estimates are made by Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2.2.10

(iv) Income taxes

Significant estimates are required in determining the provision for income taxes. The deferred income tax has been based on future profitability assumptions.

3.2 Stated capital and reserves

(a) Statutory reserves

The Statutory Reserve Fund is required under Section 34 of the Banks and Specialised Act, 2016 (Act 930) and is elaborated as follows:

Sec 34 (1) A bank or specialised deposit taking Institution shall establish and maintain a reserve fund into which shall be transferred to net profit each year.

- a) Where the amount of Reserve Fund is less than fifty per cent of the paid up capital of the bank or specialised deposit-taking institution, an amount which is not less than fifty per cent of the net profit for the year;
- b) Where the amount of Reserve Fund is fifty per cent or more but less than one hundred per cent of the paid up capital of the bank or specialised deposit-taking institution, an amount which is not less than twenty five per cent of the net profit for the year;
- c) Where the amount of the Reserve Fund is equal to hundred per cent or more of the paid up capital of the bank or specialised deposit-taking institution, an amount equal to twelve and half per cent of the net profit for the year.

(2) The transfer required under subsection (1) shall be made

- a) Before the declaration of interim or final dividends, and
- b) After making provision for tax

(b) Capital surplus/reserves

The capital reserve account is a creation of law under Sections 70 and 71 of the Companies Act, 2019 (Act 992) and records gains or losses arising from the revaluation of assets of the Bank including its property, plant and equipment and quoted equity investment. The International Financial Reporting

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Standards (IFRS) require the evaluation at regular intervals of these property, plant and equipment. The Bank has therefore adopted a policy to evaluate its assets at regular intervals.

(c) Retained earnings

The retained earnings records the cumulative annual profits (after appropriations) available to shareholders which is not distributed as dividend as at the reporting date.

(d) Development fund reserve

This is an amount transferred from profit after tax and set aside to fund for the building projects of the bank.

3.3 Events after reporting date

Events subsequent to the balance sheet date are reflected in the Financial Statements only to the extent that they relate to the year under consideration and the effect is material.

3.4 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. The structure of the financial position has changed in order to conform to the directives of the presentation of financial statement by Bank of Ghana.

Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current Year.

4.0. Financial risk management

Introduction and overview

An organization may be exposed to different types of financial risks depending on the size and complexity of business activities. South Akim Rural Bank Limited, however, is generally exposed to:

- | | |
|----------------------|-----------------------|
| (a) Credit risk | (e) Compliance risk |
| (b) Liquidity risk | (f) Legal risk |
| (c) Market risk | (g) Reputational risk |
| (d) Operational risk | (h) Capital risk |

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

4.0. Financial risk management (continued)

The identifying, measuring, monitoring and controlling these risks, and regulatory capital management is presented below:

Risk management framework, objectives, policies, procedures and processes

Risk Management Framework

The Board of Directors and Senior Management have developed and established policies and procedures to facilitate effective risk management. These policies and procedures provide guidance on risk appetite/tolerance limit, risk identification, monitoring and control and adherence to set risk limits. The risk management policies and procedures are continually reviewed to reflect changes in economic and financial landscape as well as products and services offered.

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The responsibilities of the Board of Directors include; setting out the overall risk appetite/tolerance limit, ensuring that the overall risk exposure is maintained at prudent levels and consistent with available capital. They also include ensuring that Management as well as individuals responsible for Risk Management possess sound expertise and knowledge to accomplish the risk management function and that appropriate policies and procedures for risk management are in place.

The board Sub-Committees on Audit Assurance, Finance & Administration and Credit and the Management Committee as a whole oversee the implementation of the broad risk management policies and objectives of the Bank.

(a)Credit risk

Credit risk management

Credit risk represents the loss which the bank would suffer if a customer or counter-party to financial instruments failed to meet its contractual obligations.

Credit Risks terms from outright default due to inability or unwillingness of a client or counterpart to meet commitment in relation to lending, trading settlement and other financial transaction. Resultant losses may result in reduction in receivables Portfolio value due to the actual or perceived deterioration in those receivables portfolio quality.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

The bank has established credit policies under which new customers are assessed for credit worthiness before credit is extended to them.

4.0. Financial risk management (continued) (a) Credit risk (continued)

The Management Technical Committee is responsible for implementing the credit risk policy/strategy, monitoring credit risk on a Bank-wide basis and ensuring compliance with credit limits to be approved by the Board. Business strategies, policies and procedures for managing credit are determined bank-wide with specific policies and procedures being adopted for commercial loans, small and medium enterprises and salary loans.

Managing problem loans

The Recoveries Unit within the Credit Department manages delinquent facilities including outright recoveries or nursing of such problem loans back to health. At delinquent and past due stages, where recovery efforts are unsuccessful, the Credit Department refers the client to the Bank's contractual external collectors-Lawyers and sometimes uses task force. In some cases, the Bank gets authority to dispose of security assets to defray the loan balance.

Provisioning for loans and advances

Credit losses are anticipated and charged in the statement of profit or loss on a monthly basis. The balance in the impairment allowance account is always equal to at least the required provisions based on the current risk rating profile. If the status of the loan worsens, the balance of the provision account is increased by an additional charge against earnings.

In conformity with Bank of Ghana's directives, the minimum provision that are held are as follow;

Credit risk rating	Days past	Minimum Provision (%)
Current	Less than 30	1
OLEM	31-90	10
Sub-standard	91-180	25
Doubtful	181-360	50
Loss	Over 360	100

In conformity with Bank's policy on IFRS 9, financial Instrument measurement and impairment, the minimum provision that are held are as follow;

Performing Under-performing Non-performing

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Provision 25% x 2% 25% x 5% 50% x 100%

4. 0. Financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the bank's maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019	2018
Cash & balances with banks	10,680,097	8,397,891
Financial assets held to maturity	31,146,707	29,455,499
Loans & advances	33,843,408	32,951,776
Other assets	2,354,263	2,275,215
Equity investment	196,388	70,724

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

The provision for credit losses is done using Bank of Ghana guidelines, within the context of the principles of IFRS. Where possible, this involves the individual assessment of loans and advances outstanding having regard to factors that may impair or impede the ability of loan holders to retire the loans on time. The general outcome of the assessment and review processes leading to the impairment provision at the reporting date is as follows:

Category	Percentage Provision	2019	2018
Current	1%	306,915	267,986
Other loans especially mentioned (OLEM)	10%	120,988	201,122
Sub-standard	25%	276,261	168,774
Doubtful	50%	398,185	112,418
Loss	100%	<u>377,737</u>	<u>663,848</u>
		<u>1,480,086</u>	<u>1,414,148</u>

Management adopted IFRS 9 for reporting in 2018 and has put in a policy in assessing the individual loans and advances outstanding to fairly value such loans and advances. Management has considered a lot of

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

factors before coming out with the fair values. At the reporting date, management has classified its loan and advances into performing, underperforming and non-performing loans and advances. Any change in the position of management based on IFRS 9 and the Bank of Ghana position is reported as credit risk reserve in the statement of changes in equity. As it is not practicable to treat the change in policy retrospectively, management decided to treat the change as a prospective change.

4. 0. Financial risk management (continued)

Exposure to credit risk

The outcome of the assessment and review processes leading to the impairment provision at the reporting date based on IFRS 9 is as follows:

Provision

Performing	191,336
Underperforming	45,732
Non-performing	<u>1,500,823</u>
	<u>1,737,891</u>

(b) Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

The Bank's liquidity risk management systems comprise two main processes;

- Assessment of the Bank's financing requirements on the basis of budgets in order to plan appropriate funding sources and;
- Analysis of daily cash report to monitor daily cash flow position

The table below analyses the Bank's financial assets and financial liabilities that will be used to settle excluding the impact of netting agreements, into relevant maturity groupings based on the remaining period between the reporting dates to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows based on the earliest date on which the Bank may be required to pay using its liquid assets.

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

4. 0. Financial risk management (continued)

(b) Liquidity Risk (continued)

Maturities of financial assets and liabilities

At 31 December 2019	Up to 1 Month	1 – 12 Months	1 – 5 Years	Non- Interest Bearing	Total
Financial assets					
Cash and bank balances	10,680,097	-	-	-	10,680,097
Trading investments	-	16,800,967	-	10,845,740	27,646,707
Loans and advances	28,086,705	5,756,703	-	-	33,843,408
Equity investments	-	-	196,388	-	196,388
Other assets	-	-	-	2,354,263	3,017,152
Total financial assets	<u>38,766,802</u>	<u>22,557,670</u>	<u>196,388</u>	<u>13,034,359</u>	<u>75,383,752</u>
Financial liabilities					
Customer deposits	8,380,660	57,518,120	-	-	65,898,780
Long term borrowing	-	-	792,527	-	792,527
Dividends payable	1,183,205	-	-	-	1,183,205
Accounts payable	-	-	-	1,808,929	1,808,929
Total financial liabilities	<u>9,563,865</u>	<u>57,518,120</u>	<u>792,527</u>	<u>1,808,929</u>	<u>69,683,441</u>
Total finance gap	<u>29,202,937</u>	<u>(34,960,450)</u>	<u>(596,139)</u>	<u>11,225,430</u>	<u>5,700,311</u>
At 31 December 2018					
Total financial assets	64,204,002	6,421,142	70,724	2,275,215	72,971,083
Total financial liabilities	<u>8,317,578</u>	<u>51,945,679</u>	-	2,453,306	<u>62,716,563</u>
Total finance gap	<u>55,886,424</u>	<u>(45,524,537)</u>	<u>70,724</u>	<u>(178,091)</u>	<u>10,254,520</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019

Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

The gap shows that the Bank may face challenges if customers should undertake panic withdrawals from all agencies across the Bank. Management is still managing and monitoring information circulation to fight against any such events.

Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk represents the risk exposures the Bank has in relation to instruments whose value vary with the level of interest rates. These include investments, debt securities, and borrowings.

The borrowings with floating interest rates. All of its borrowings are at floating interest rates.

Exposure to the risk of changes in market interest rates relates primarily to its long-term Interest rate exposure is managed primarily through negotiating new borrowing agreements that carry lower and more stable interest rates.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is the risk of loss arising from the potential that inadequate information systems, breaches of internal controls, fraud, technological failure and unforeseen catastrophes may result in unexpected loss or reputational problems.

Over the years the bank has developed a thorough and consistent framework of policies, procedures and tools to identify, measure, monitor, control and actively manage its operational risks in a timely and effective manner.

(e) Compliance and regulatory risk

In order to strengthen the compliance with regulatory requirements, the Bank organizes series of dedicated training on a regular basis to equip staff with compliance and regulatory issues in order to minimize risk emanating there from.

(f) Legal risk

The Banks activities are undertaken in a manner which adequately reduces the risks which may arise out of material litigation to be initiated against it (The Bank).

(g) Reputational risk

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

The Bank conducts its business in a responsible, professional and transparent manner. The Bank safeguards the interest of its clients as well as its reputation. This is aimed at demonstrating our commitment and fostering a long term relationship with our clients and the public at large. We manage our image and reputation in a professional manner.

Financial risk management (continued)

(h) Capital risk management

The primary objectives of the Banks externally imposed capital requirement by the Bank of Ghana and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximize shareholders value. In order to maintain the desired level of capital, the Bank may vary its dividend policy or issue new shares. The Bank complied with all externally imposed capital requirement throughout the year.

5.1 Financial assets and financial liabilities

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements.

Financial assets	Carrying amount		Fair Value	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash and balances with banks	10,680,097	8,397,891	10,680,097	8,397,891
Financial assets measured at amortised cost	31,146,707	29,455,499	31,146,707	29,455,499
Loans and advances	35,764,155	34,071,700	33,843,408	32,951,776
Other asset accounts	2,354,263	2,275,215	2,354,263	2,275,215
Financial asset measured at fair value thr OCI	<u>70,724</u>	<u>196,938</u>	<u>196,388</u>	<u>70,724</u>
Total	<u>80,015,946</u>	<u>74,397,243</u>	<u>78,024,474</u>	<u>73,151,085</u>
Financial liabilities				
Customer deposits	65,898,780	59,189,330	65,898,780	59,189,330
Term borrowing	600,000	96,900	600,000	96,900
Payables and accruals	1,808,929	2,453,306	1,808,929	2,453,306
Dividend payable	<u>1,183,205</u>	<u>977,027</u>	<u>1,183,205</u>	<u>977,027</u>
Total	<u>69,490,914</u>	<u>62,716,567</u>	<u>69,490,914</u>	<u>62,716,567</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

5.1 Financial assets and financial liabilities

The following methods and assumptions were used to estimate the fair values: -

Cash and short-term deposits, loans and advances, deposits and current accounts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

-Long-term, fixed-rate and variable-rate receivables/borrowings are evaluated by the Bank based on parameters such as interest rates. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2019, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values. Also, staff loans which are given at an interest rate lower than the effective interest rate are assumed to have a fair value as the carrying amount as tools for managing the fluctuations are not in place when management decided to measure them at fair value by creating staff cost and deferred interest to be amortised over the staff loan life span.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Ghana Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observation market data when available. The Bank considers relevant and observable market prices in its valuation when possible.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

The fair value of the Bank's financial assets and liabilities approximate the respective carrying amounts, due to the generally short years to maturity dates.

5.1 Financial assets and financial liabilities (continued)

Fair value hierarchy (continued)

As at 31 December 2019, the Bank held the following financial instruments measured at fair value:

2019	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	196,388	31,580	-	164,808
Trading investment	15	31,146,707	-	31,146,707	-
Loans and advances	18	33,843,408	-	-	33,843,408

As at 31 December 2018, the Bank held the following financial instruments measured at fair value:

2018	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	70,724	29,320	-	41,404
Trading investment	15	29,455,499	-	29,455,499	-
Loans and advances	18	32,951,776	-	-	32,951,776

The Bank carries quoted and unquoted equity shares as equity investment financial instruments classified as Level 1 and level 3 within the fair value hierarchy.

6.1 Regulatory Disclosure

	2019	2018
Gross Loans (GH¢)	35,764,155	34,071,700
Performing loans (GH¢)	32,762,509	30,496,699
Non-performing loans (GH¢)	3,001,646	3,575,001
Non-performing loan ratio (NPL %)	8.39	10.49
Loan loss provision ratio	5.37%	3.29%

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Ratio of 20 largest exposures to total credit (%)	29.20	24.49
Capital Adequacy Ratio (CAR %)	18.75%	21.75
Primary Reserve - No. of defaults	nil	nil

7. Interest income	2019	2018
Loans and advances	11,225,380	11,533,345
Government securities & other investments	<u>3,546,713</u>	<u>5,492,199</u>
	14,772,093	17,025,544
Interest in arrears	<u>(219,690)</u>	<u>(256,104)</u>
	<u>14,552,403</u>	<u>16,769,440</u>

8. Interest expense	2019	2018
Savings and fixed deposit accounts	3,614,701	3,353,418
Interest on loan	<u>3,144</u>	<u>70,951</u>
	<u>3,617,845</u>	<u>3,424,369</u>

9. Commission and fees	2019	2018
Commitment fees	677,144	684,894
Commission	<u>593,540</u>	<u>643,442</u>
	<u>1,270,685</u>	<u>1,328,336</u>

10. Other operating income	2019	2018
Other income	11,923	-
Service charge	55,101	58,440
Sundry income	<u>590,386</u>	<u>182,450</u>
	<u>657,410</u>	<u>240,890</u>

10.1 Impairment loss	2019	2018
At start of year	1,414,148	674,998
Bad debt written off	<u>(541,345)</u>	<u>(156,723)</u>
Provision after write off	872,803	518,275
Charged to profit or loss	<u>607,282</u>	<u>895,873</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Provision at year end based on BOG **1,480,085** **1,414,148**

11. Other operating costs	2019	2018
Staff related costs - note 11(a)	6,017,708	5,590,014
Depreciation and amortization	361,797	403,269
Directors fees	93,400	72,600
Audit fees	37,000	30,000
Microfinance expenses	273,458	226,247
General and administrative expenses-note 11(b)	<u>4,414,497</u>	<u>4,454,257</u>
	<u>11,197,860</u>	<u>10,776,387</u>

11(a). Staff related cost	2019	2018
Salaries and wages	4,318,303	4,017,014
Staff social security	545,959	483,540
Staff provident fund	263,709	225,583
Staff training and development	59,607	54,929
Staff medical costs	64,683	60,488
Other staff allowances	<u>765,447</u>	<u>748,460</u>
	<u>6,017,708</u>	<u>5,590,014</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

11(b) General and administrative expenses	2019	2018
Electricity & water	421,619	443,903
Board meeting expenses	190,377	255,833
Police guard expenses	301,025	368,363
Travelling expenses	367,590	374,565
Office expenses	126,097	102,347
Printing & stationery	275,387	248,044
Repairs & maintenance	105,017	102,234
Rent & rates	155,046	156,593
Telephone postage	45,797	46,704
Insurance expenses	162,122	143,476
Advertising & publicity	40,239	36,124
Shortage in till	150	357
Anniversary expenses	122,140	103,901
Vehicle running expenses	519,805	489,742
Entertainment/protocol expenses	124,321	170,422
Specie expenses	43,351	27,476
Annual subscription	52,572	56,422
Computerisation	410,589	329,363
Cheque clearing expenses	31,766	42,968
Generating plant	52,660	36,378
Donations	32,414	35,399
Legal expenses	59,824	23,014
Motor Vehicle Repairs & Maintenance	171,318	169,119
Audit expenses	11,682	4,180
Professional fees	15,000	-
Other expenses	128,861	244,490
Business promotion	<u>447,728</u>	<u>442,840</u>
	<u>4,414,497</u>	<u>4,454,257</u>

12(a). Taxation

	Balance at	Charge for	Adjustment	Payments	Balance at
	1/1/2019	the			31/12/2019
		Year			
2016	30,505	-	-	(30,505)	-
2017	(132,235)	-	-	-	(132,235)

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

2018	527,002	-	-	(394,768)	132,234
2019	-	<u>437,525</u>	-	<u>(500,000)</u>	<u>(62,475)</u>
	<u>425,272</u>	<u>437,525</u>		<u>(925,273)</u>	<u>(62,476)</u>

The above tax position is subject to the agreement of the Domestic Tax Revenue Division of the Ghana Revenue Authority.

12(b) Charge to income statement **2019** **2018**

Current income tax expense	437,525	1,127,003
Charge to income statement for deferred tax	<u>(13,224)</u>	<u>(45,329)</u>
Balance at year end	<u>424,301</u>	<u>1,081,674</u>

12(c) Deferred tax **2019** **2018**

Balance at year start	(75,663)	(30,334)
Charge to income statement	<u>(13,224)</u>	<u>(45,329)</u>
Balance at year end	<u>(88,887)</u>	<u>(75,663)</u>

12(d) Reconciliation of effective tax rate **2019** **2018**

Profit before tax	<u>1,057,510</u>	<u>3,242,037</u>
Income tax using domestic tax rate (25%)	<u>264,378</u>	<u>810,509</u>
Deferred tax	<u>(13,224)</u>	(45,329)
Current tax	<u>437,525</u>	<u>1,127,003</u>
	<u>424,301</u>	<u>1,081,674</u>
Effective tax rate	40.12%	33.36%

13. Cash and bank balances **2019**

2018

Cash holdings	3,460,273	3,083,660
Bank (Note 30b)	3,416,665	2,354,111
5% Deposit-Apex (Note 15)	3,164,923	2,617,962
Mobile money cash balance	<u>638,235</u>	<u>342,158</u>
	<u>10,680,097</u>	<u>8,397,891</u>

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

14. Short-term investments	2019	2018
Apex certificate of deposit (ACOD 7/30)	-	2,500,000
Treasury bills note	<u>3,500,000</u>	<u>-</u>
	<u>3,500,000</u>	<u>2,500,000</u>

15. Trading investments	2019	2018
Fixed deposit with Non-Bank Financial Institution	10,845,740	9,500,000
Government stock	<u>17,000,005</u>	<u>17,150,000</u>
	27,845,745	26,650,000
Unearned Interest	<u>(199,038)</u>	<u>(22,317)</u>
	<u>27,646,707</u>	<u>26,627,683</u>

16. ARB Apex Bank Deposit	2019	2018
At start of year	2,960,120	2,674,385
Net Investments during the Year	<u>204,804</u>	<u>285,734</u>
At year end	<u>3,164,924</u>	<u>2,960,120</u>

17. Investment in Subsidiary	2019	2018
SARB Service Limited	<u>1,800</u>	<u>1,800</u>

The SARB Service Limited is a subsidiary but as at 31 December 2019, the Company is no more in existence except its net assets that procedures will be followed to liquidate the Company by appointing a liquidator.

18. Loans and advances	2019	2018
(a) Analysed by type of facility		
Advances	12,068,287	10,326,220
Loans	<u>23,695,868</u>	<u>23,745,480</u>
	35,764,155	34,071,700
Provision for credit losses	<u>(1,920,747)</u>	<u>(1,119,924)</u>
	<u>33,843,408</u>	<u>32,951,776</u>

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

b) Analysed by type of customer	2019	2018
Individuals	21,465,496	20,894,647
Private institutions	6,806,176	5,068,090
Others	<u>7,492,483</u>	<u>8,108,963</u>
	35,764,155	34,071,700
Less provision for credit losses	<u>(1,920,747)</u>	<u>(1,119,924)</u>
	<u>33,843,408</u>	<u>32,951,776</u>
(c) Sectorial report		
Loans		
Agriculture	565,408	551,717
Cottage industry	451,013	410,145
Transport	1,830,814	2,913,043
Commerce	9,540,164	7,452,139
Others (Microfinance)	<u>11,308,467</u>	<u>12,337,125</u>
	<u>23,695,866</u>	<u>23,664,169</u>
Advances		
Commerce	11,047,685	9,296,799
Others	<u>1,020,604</u>	<u>1,110,732</u>
	<u>12,068,289</u>	<u>10,407,531</u>
Total loans and over draft	35,764,155	34,071,700
Less provision for credit losses	<u>(1,920,747)</u>	<u>(1,119,924)</u>
	<u>33,843,408</u>	<u>32,951,776</u>
19. Equity Investments	2019	2018
Quoted shares		

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December 2019****Notes and significant accounting policies (continued)***(All amounts are expressed in Ghana Cedi unless otherwise stated)*

Societe Generale Ghana	5,760	6,000
GCB Bank Limited	25,500	23,000
Cocoa Processing Company Limited	<u>320</u>	<u>320</u>
	<u>31,580</u>	<u>29,320</u>
Unquoted shares		
ARB Apex Bank Ltd	<u>164,808</u>	<u>41,404</u>
	<u>196,388</u>	<u>70,724</u>
20. Other Assets	2019	2018
Office accounts	54,790	167,968
Stationery stock	247,576	305,896
Work-in-progress	252,990	-
Interest and commission accrued	<u>1,798,907</u>	<u>1,801,352</u>
	<u>2,354,263</u>	<u>2,275,215</u>
21. Prepayments	2019	2018
Insurance prepaid	19,236	111,657
Rent prepaid	<u>246,912</u>	<u>272,188</u>
	<u>266,148</u>	<u>383,845</u>

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

22a. Property, plant and equipment- 2019

Cost	1 January Cost/valuation	Additions	31 December
Land & Building	1,126,113	-	1,126,113
Office Equipment	495,543	15,601	511,144
Plant & Machinery	272,070	-	272,070
Motor Vehicle	918,153	238,596	1,156,749
Computer & Accessories	712,600	25,138	737,738
Furniture & Fittings	<u>662,596</u>	<u>19,797</u>	<u>682,393</u>
	<u>4,187,075</u>	<u>299,132</u>	<u>4,486,207</u>

Accumulated depreciation	1 January Cost/valuation	Additions	31 December
Land & Building	285,491	56,306	341,797
Office Equipment	437,762	39,935	477,697
Plant & Machinery	206,671	34,064	240,735
Motor Vehicle	895,304	78,069	973,373
Computer & Accessories	537,870	76,462	614,332
Furniture & Fittings	<u>562,840</u>	<u>67,335</u>	<u>630,175</u>
	<u>2,925,938</u>	<u>352,171</u>	<u>3,278,109</u>

Carrying values	31 December
Land & Building	784,316
Office Equipment	33,447
Plant & Machinery	31,335
Motor Vehicle	183,376
Computer & Accessories	123,406
Furniture & Fittings	<u>52,218</u>

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

1,208,098

22b. Property, plant and equipment- 2018

Cost	1 January Cost/valuation	Additions	31 December
Land & Building	1,126,113	-	1,126,113
Office Equipment	479,244	16,300	495,543
Plant & Machinery	213,114	58,957	272,070
Motor Vehicle	884,053	34,100	918,153
Computer & Accessories	548,505	164,095	712,600
Furniture & Fittings	<u>645,868</u>	<u>16,728</u>	<u>662,597</u>
	<u>3,896,896</u>	<u>290,180</u>	<u>4,187,075</u>
Accumulated depreciation	1 January Cost/valuation	Additions	31 December
Land & Building	229,185	56,306	285,491
Office Equipment	389,548	48,214	437,762
Plant & Machinery	169,289	37,382	206,671
Motor Vehicle	822,439	72,865	895,304
Computer & Accessories	445,413	92,457	537,870
Furniture & Fittings	<u>466,795</u>	<u>96,045</u>	<u>562,840</u>
	<u>2,522,669</u>	<u>403,269</u>	<u>2,925,938</u>
Carrying values			31 December
Land & Building			840,622
Office Equipment			57,781
Plant & Machinery			65,399
Motor Vehicle			22,849
Computer & Accessories			174,730
Furniture & Fittings			<u>99,757</u>
			<u>1,261,137</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

23. Intangible assets	2019	2018
Cost	385,054	-
Accumulated depreciation	<u>(9,626)</u>	<u>-</u>
Balance	<u>375,428</u>	<u>-</u>

24. Customer Deposits	2019	2018
(a) Analysed by type of accounts		
Time deposits	20,023,847	18,422,331
Current account	8,380,660	7,340,551
Savings accounts	<u>37,494,273</u>	<u>33,426,448</u>
	<u>65,898,780</u>	<u>59,189,330</u>

(b) Analysed by Type of Customers	2019	2018
Susu	23,920,201	21,331,517
Government agencies and department	515,124	432,060
Private Enterprise	9,351,046	8,643,211
Individual	<u>32,112,409</u>	<u>28,782,542</u>
	<u>65,898,780</u>	<u>59,189,330</u>

25. Long term liabilities	2019	2018
Software license fee payable	192,527	-
ARB Apex Bank Limited	<u>600,000</u>	<u>96,900</u>
	<u>792,527</u>	<u>96,900</u>

The Bank borrowed an amount of GH¢ 600,000 in July 2019 from ARB Apex Limited at an interest rate of 22% payable within sixteen quarterly installments. The purpose of the loan is to renovate the Adoagyiri and Asamankese agencies.

At year end, license fee payable of GHS 192,527 will straddle beyond 12month. This has been treated as long term liability

26. Payables and accruals	2019	2018
Accrued interest	1,020,506	549,732
Bills payable	239,973	602,716
Audit fees	18,500	15,000

SOUTH AKIM RURAL BANK LIMITED

**Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)**

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Police guard	21,600	166,300
Office accounts	279,406	112,402
Uncleared effect	29,418	-
Software license fee payable	192,527	-
Inter-agency	80	-
Unassigned balance	-	17,850
Ezwich	<u>6,919</u>	<u>989,306</u>

1,808,929 **2,453,306**

27. Dividend payable **2019** **2018**

At start of year	977,027	785,725
Dividend declared at AGM	940,116	766,549
Payments	<u>(733,938)</u>	<u>(575,247)</u>

At close of year **1,183,205** **977,027**

28. Stated Capital

	2019		2018	
	Number	Proceeds	Number	Proceeds
Authorised				
Authorised ordinary shares	<u>100,000,000</u>	-	<u>100,000,000</u>	-
Issued Ordinary Shares for:				
Cash and other than cash	78,438,883	3,223,655	63,879,126	2,406,680
Correction to agree to CSD number of shares/BI:	<u>-</u>	<u>-</u>	<u>-</u>	<u>(639,000)</u>
	78,438,883	3,223,655	63,879,126	1,767,680
Transfer from Retained Earnings/Bonus Issue	-	-	12,775,825	1,277,582
Additions during the year for cash	<u>2,248,170</u>	<u>224,817</u>	<u>1,783,932</u>	<u>178,393</u>
At year end	<u>80,687,053</u>	<u>3,448,472</u>	<u>78,438,883</u>	<u>3,223,655</u>

During the year, GHS 224,817 was received for shares issued.

29. Development fund **2019** **2018**

At start of year	3,172,307	3,025,795
Transfer from retained earnings	200,000	400,000
Agency developments costs	<u>(662,890)</u>	<u>(253,488)</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

At year end	<u>2,709,417</u>	<u>3,172,307</u>
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29.1. Credit risk reserve	2019	2018
Bank of Ghana	1,480,086	1,414,148
IFRS provision	<u>1,737,891</u>	<u>1,119,924</u>
At year end	<u>(257,805)</u>	<u>294,224</u>

30. Statutory Reserve Fund	2019	2018
At start of year	2,682,888	2,142,797
Transferred from Retained earnings	<u>158,302</u>	<u>540,091</u>
At year end	<u>2,841,190</u>	<u>2,682,888</u>

The Statutory Reserve Fund is required under section 34 of the Banks and Special Deposit Act, 2016 (Act 930)

a) Where the amount of Reserve Fund is less than fifty per cent of the paid up capital of the bank or specialised deposit-taking institution, an amount which is not less than fifty per cent of the net profit for the year;

b) Where the amount of Reserve Fund is fifty per cent or more but less than one hundred per cent of the paid up capital of the bank or specialised deposit-taking institution, an amount which is not less than twenty five per cent of the net profit for the year;

b) Where the amount of Reserve Fund is fifty per cent or more but less than one hundred per cent of the paid up capital of the bank or specialised deposit-taking institution, an amount which is not less than twenty five per cent of the net profit for the year;

c) Where the amount of the Reserve Fund is equal to hundred per cent or more of the paid up capital of the bank or specialised deposit-taking institution, an amount equal to twelve and half per cent of the net profit for the year.

31. Earnings per Shares

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Basic earnings per share (EPS) is calculated by dividing the profit after tax for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Profit attributable to ordinary shareholders	<u>633,209</u>	<u>2,160,363</u>
Weighted average number of ordinary shares	<u>80,125,011</u>	<u>78,000,799</u>
Basic earnings per shares (in Ghana Pesewa)	<u>0.008</u>	<u>0.028</u>

32. Cash and Cash Equivalents

	2019	2018
Cash holdings	3,460,273	3,083,660
Bank (Note 30b)	4,054,900	2,354,111
5% Deposit-Apex (Note 16)	3,164,924	2,960,120
Short term investment	<u>3,500,000</u>	<u>2,500,000</u>
	<u>14,180,097</u>	<u>10,897,891</u>

32 (b). Bank Balance

	2019	2018
Apex Bank	3,416,665	2,011,953
Other banks (Mobile money)	<u>638,235</u>	<u>342,158</u>
	<u>4,054,900</u>	<u>2,354,111</u>

33. Capital commitments

There were no outstanding capital commitments at the reporting date (2018: Nil).

34. Contingencies

There were no contingent assets or liabilities not provided at the reporting date (2018: Nil).

35. Legal proceeds

There were no legal proceedings against the Bank at the reporting date (2018: Nil).

36. Related party transactions

a) Key management personnel and directors

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Key Management personnel are defined as those persons having authority and responsibility for planning; directing and controlling the activities of South Akim Rural Bank Limited (directly or indirectly) and comprise the Directors and senior management.

For the year under review, key management personnel include:

- i. Board of Directors -refer to list on page 1
- ii. Other key management personnel– refer to list on page 1

36. Related party transactions (continued)

b. Transactions with Directors and Key Management Personnel

The details of transactions between the company and its key management personnel are as follows:

Key management and staff compensation	2019	2018
Directors Emoluments	93,400	72,600
Salaries and other benefits to senior management	296,070	365,641

c. Loan transactions with Directors and Key Management Personnel

Loans to Board members and management staff are given in line with the policies of the Bank. Below is the details:

Loans to Board members and senior management staff are given in line with the policies of the Bank. Below is the details:

Details	At start of year	Addition	Payments	At year end
Directors	262,218	275,000	282,996	254,222
Firms that Directors have interest	724,051	420,000	744,607	399,444
Senior management staff	1,424,682	521,300	312,073	1,633,908

- d. All Directors and key management staff have interest in shares at year end

Shareholding Structure

(i) Number of Shares Outstanding

Earnings and dividend per share are based on **80,125,011** (2018: 78,343,020) Ordinary Shares Outstanding).

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019
Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

(ii) Directors Shareholding:

The total number of shares held by the Directors of the Bank at the reporting date represented 7.5% of total number of shares outstanding then. Below are the details
Directors' shareholding as at 31 December 2019

36. Related party transactions (continued)

(ii) Directors Shareholding (continued):

	No. of Shares	Percentage of Issued Capital
Names of Director		
1. Joseph Sarpong	1,961,293	2.43
2. William Agyenim-Boateng	1,932,027	2.39
3. Daniel Ohene Kwaku Owusu	837,556	1.04
4. Elizabeth Afriyie Fianko (Mrs.)	415,630	0.51
5. Dr. Mark Boadu	338,659	0.42
6. Stephenson Samuel Ayeh	301,296	0.37
7. Michael Addo Amoah	135,415	0.17
8. Dr. Edward Kwapong	<u>137,112</u>	<u>0.17</u>
	<u>6,058,988</u>	<u>7.50%</u>

(iii) Key Management staff other than the Board of Directors shareholding as at 31 December 2019

	No. of Shares	Percentage of Issued Capital
Names of Staff		
1. Mr. Forson Temeng	312,476	0.39
2. Mr. Stephen Yamoah Nteful	157,675	0.20
3. Felicity Baah	142,452	0.18
4. Dzigbordzi Gadotor	94,902	0.12
5. Richard Kpodji	45,000	0.06
6. L.T Okunka Bruce	36,639	0.05
7. Mark Anim Ayeh	<u>29,937</u>	<u>0.04</u>
	<u>819,081</u>	<u>1.01</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019 Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

37. Number of Shareholders

The Bank had 6,182 Ordinary Shareholders as at 31 December 2019 distributed as follows:-

Holding Agency	No. of Members	Total Holding	% Holding
Nankese	2,696	26,158,997	32.39
Suhum	1,560	24,349,867	30.15
Asamankese	830	12,939,413	16.02
Koforidua	597	8,819,399	10.92
Adoagyiri	175	7,127,545	8.83
Osenase	236	1,060,519	1.31
Adweso	67	218,987	0.27
Kade	<u>21</u>	<u>88,400</u>	<u>0.11</u>
	<u>6,182</u>	<u>80,763,127</u>	<u>100%</u>

38. Cash flows from operating activities:

	2019	2018
Profit before tax	1,057,510	3,242,037
Add: depreciation	361,797	403,269
IFRS 9 effect	(541,344)	(945,994)
Interest in suspense	182,856	-
Decrease/(increase in doubtful debts)	<u>607,282</u>	<u>895,873</u>
Cash Inflow before changes in working capital	1,668,101	3,595,185
Increase in loans and advances	(1,692,455)	(5,591,234)
(Increase)/decrease in other assets	(79,047)	1,416,321
Increase/(decrease) in customer deposit	6,709,450	4,296,361
Increase/(decrease) in accounts payable	(451,849)	1,085,531

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2019

Notes and significant accounting policies (continued)

(All amounts are expressed in Ghana Cedi unless otherwise stated)

Decrease in prepayments	<u>117,697</u>	<u>16,312</u>
	<u>6,271,897</u>	<u>4818,476</u>

39. Changes in Laws and Regulations (Enactment of Companies Act, 2019 (Act 992))

On 5th August 2019 the new Companies Act, 2019 (Act 992) came into full force with the repeal of the Companies Act, 1963 (Act 179). The Company, Management and the Board complied with the requirements of the earlier law until its repeal on 5th August 2019. Subsequently, the Company has kept its books, records and documentation in a manner consistent with the requirements of the Companies Act, 2019 (Act 992).