

SOUTH AKIM RURAL BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020**

CONFIDENTIALLY RESTRICTED FINAL DRAFT

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

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SOUTH AKIM RURAL BANK LIMITED

Corporate information for the year ended 31 December, 2020

Board of Directors

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

Secretary

Mr. Forson Temeng

Supervising manager

Mr. Forson Temeng

Solicitors

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

Principal place of business

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

Registered office

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

Company registration number

CS293192018

Taxpayer identification number

C000690453X

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

SOUTH AKIM RURAL BANK LIMITED

Five-year financial summary	2020	2019	2018	2017	2016
Interest income	15,723,499	14,552,403	16,769,440	15,711,850	14,409,510
Interest expense	(3,407,255)	(3,617,845)	(3,424,369)	(3,805,122)	(3,807,835)
Commission and fees	1,384,667	1,270,685	1,328,336	1,281,953	1,132,759
Other operating income	749,232	657,410	240,890	300,460	207,759
Profit before tax	1,707,855	1,057,510	3,242,037	3,280,345	3,109,561
Tax expenses	(789,504)	(424,301)	(1,081,674)	(936,502)	(767,320)
Profit after tax	918,351	633,209	2,160,363	2,343,843	2,342,241
Total assets	100,399,041	80,161,223	74,873,550	69,058,684	60,841,890
Equity	11,450,218	10,540,257	11,731,714	11,012,711	9,118,205
Total equity and liabilities	100,399,041	80,161,223	74,873,550	69,058,684	60,841,890

Financial highlights	2020	2019	Percentage (%)
Interest income	15,723,499	14,552,403	8.05
Interest expense	(3,407,255)	(3,617,845)	(5.82)
Commission and fees	1,384,667	1,270,685	8.97
Other operating income	749,232	657,410	13.97
Profit before taxation	1,707,855	1,057,510	61.50
Total assets	100,399,041	80,161,223	25.25
Equity	11,450,218	10,540,257	8.63
Total equity and liabilities	100,399,041	80,161,223	25.25

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, 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 Bank and to enable them ensure that the financial statements comply with 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"). They are also responsible for safe guarding the assets of the Bank 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**.....

CONFIDENTIALLY RESTRICTED FINAL DRAFT



**Report of the Directors
to the members of the Bank**

In accordance with the requirement of section 132 of the Companies Act, 2019 (Act 992) 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 2020, 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.

	2020	2019
Total income	17,857,399	16,480,498
Profit before tax for the year	1,707,855	1,057,510
from which is deducted income tax expense of	(789,504)	(424,301)
giving profit after tax of	918,351	633,209
to which is added balance on retained earnings account brought forward of	1,414,999	2,333,284
leaving a balance before statutory and other transfers of	2,333,350	2,966,493
From which the following transfers were made:		
Transfer to statutory reserve	(229,588)	(158,302)
Transfer to stated capital	-	-
Transfer to dividend account	-	(940,116)
Transfer to development fund account	(300,000)	(200,000)
		1,668,075
Prior year adjustment		(253,076)
Retained earnings at year end	1,803,762	1,414,999

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

**Report of the Directors
to the members of the Bank (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 proposed dividend during the year in line with Bank of Ghana directive.

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 the Companies Act, 2019 (Act 992) and the regulations of the Bank, Mr. William Kwadwo Boateng, Mr. Stephenson Samuel Ayeh and Dr. Mark Boadu were re-elected as directors in 2020.

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.

Directorate

The Directors in office at the date of this report are as follows:

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. Joseph Sarpong	Technological Certificate	Member	Chief Technologist
Mrs. Elizabeth Afriyie Fianko	Diploma in Basic Education	Member	Teaching

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

The Directors in office at the date of this report (continued)

Directors	Qualification/ Profession	Designation	Outside board & management position
Mr. Stephenson Samuel Ayeh	MSLC	Member	Printing
Dr. Mark Boadu	PHD Corporate Governance	Member	Lecturer
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

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.

Independent 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 19-24.

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.

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

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.

Corporate social responsibilities

The Bank gave scholarship to needy but brilliant students in the community and also supported the Farmers' Day celebration and during the covid19, the Bank donated Personal Protective Equipment (PPEs) to Nankese Health Post and Eastern Regional Ghana Health Service. 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.

Audit fees

The amount payable for the 2020 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

Management are not aware of any event that requires a disclosure except for the outcome of the second phase of the covid19 which started in January 2021 that is unknown.

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

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 25 to 70 which have been prepared on a going concern basis, were approved by the Board of Directors 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 an 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 once every two month, 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:

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

- Approval and review of the remuneration and incentives for staff and their general welfare
- Approval of budgets i.e. corporate plans, annual budgets, quarterly budgets, etc.
- 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

Board Sub-Committees

By resolution, the Board has 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 of Directors.

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

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 Mrs Dzigbordi Gadotor.

The Committee's terms of reference are as 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 asset

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

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)
Human Resource and Development Committee (HRDC)

Composition

The Committee is composed of Dr. Edward Kwamong (Chairman), Dr. Mark Boadu , Mr. Stephenson Samuel Ayeh, Mr. Joseph Sarpong, Mr. Forson Temeng and ex-officio: Mr. Liwellyn 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 is an effective system for:

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

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 and Radio.

SOUTH AKIM RURAL BANK LIMITED**Corporate Governance (CG) report (continued)****Marketing, Mobilization and Microfinance Committee (MMMC) (continued)****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 Afriye Fianko and ex-officio: Mr. Forson Temeng, Mr. Stephen Yamoah Nteful (Secretary), and Mr. Gilpen Ofori Okyere.

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)

Frequency of meetings

Meetings of the Board are usually held once in two months, but may be convened at any time the need arises.

The Board and its Committees met as follows:

Number of meetings

Board of Directors	7
Technical and Planning Committee	11
Audit, Risk and Compliance Committee	4
Human Resource Committee	2
Marketing/Mobilization/Microfinance Committee	1
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 convened seven (7) meetings.

Directors	Attendance	Percentage (%)
Mr William Kwadwo Boateng (Chairman)	7	100
Mr Daniel Ohene Kwaku Owusu (Vice chairman)	7	100
Mr Stephenson Samuel Ayeh	7	100
Mrs Elizabeth Afriyie Fianko	7	100
Mr Michael Addo Amoah	6	87
Dr Edward Kwapong	7	100
Mr Joseph Sarpong	6	87
Dr Mark Boadu	7	100

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

Technical and Planning Committee

Technical and Planning Committee convened eleven (11) meetings during the year.

Members	Attendance	Percentage (%)
Mr. William Kwadwo Boateng	11	100
Dr. Edward Kwapong	10	91
Mr. Daniel Ohene Kwaku Owusu	11	100
Mr. Forson Temeng	11	100

Ex-officio

Mr. Stephen Y. Ntiful	11	100
Mrs. Felicity Baah	11	100
Mr. Richard Kpodji	11	100
Mr. Llewellyn Theophilus Okunka Bruce- the Secretary.	11	100
Mr. Shani Mahama	11	100

Audit, Risk and Compliance Committee

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

Members	Attendance	Percentage (%)
Mr. Daniel Ohene Kwaku Owusu (Chairman)	3	100
Mr. William Kwadwo Boateng	3	100
Mr. Mark Anim Ayeh	3	100

Ex-officio

Mrs. Dzigbordi Gadotor	4	100
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SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (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	0	0
Mr. Joseph Sarpong	1	50
Dr. Mark Boadu	2	100
Mr. Forson Temeng	1	50
Ex-officio		
Mr. Llewellyn Theophilus Okunka Bruce -Secretary	0	0

Marketing, Mobilization and Microfinance Committee

The Market/Mobilization and Microfinance Committee convened one (1) meeting during the year under review.

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

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

ICT Committee

The ICT Committee convened one (1) meeting during the year under review and all members attended the meeting.

Members	Attendance	Percentage (%)
Mr. Joseph Sarpong (Chairman)	1	100
Mrs. E.A Fianko	1	100
Mr. Michael Addo Amoah	1	100
Dr. Mark Boadu	1	100
Ex-officio		
Mr. Forson Temeng	0	0
Mr. Gelpen Ofori Okyere	1	100
Stephen Y. Nteful - the Secretary	1	100

By order of the Board

Name of 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, 2020, 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, 2020.

The financial statements comprise:

- statement of comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2020;
- 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)

Emphasis of matter- Effects of enactment of the Anti-money laundering Act, 2020 (Act 1044)

We draw your attention to Note 40 of the financial statements, which describe the effects of the enactment of the Anti-money laundering Act, 2020 (Act 1044) which came into force 29th December, 2020. Our opinion is not modified in respect of this matter.

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.

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.

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.

At the end of the audit, we don't have anything new to report on apart from the issues raised in 2019 report in relation to the full adoption of the IFRS 9 and IFRS 16

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

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.

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.

**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

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 misstatement 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, 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 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) repealed and replaced by Anti-Money Laundering Act, 2020 (Act 1044), 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/2021/086)

Chartered Accountants

P.O.Box LA 476, La, Accra

2nd Floor, Cocoshe House

Opposite Silver Star Tower

Agostinho Neto Close,

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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, 2020

Statement of comprehensive income

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

	Notes	2020	2019
Interest income	7	15,723,499	14,552,403
Interest expense	8	(3,407,255)	(3,617,845)
Net interest income		12,316,244	10,934,558
Commissions and fees	9	1,384,667	1,270,685
Other operating income	10	749,232	657,410
Total operating income		14,450,143	12,862,653
Impairment of loan	10.1	(711,665)	(607,282)
Other operating costs	11	(12,030,623)	(11,197,860)
Profit before taxation		1,707,855	1,057,510
Taxation	12b	(789,504)	(424,301)
Profit after taxation		918,351	633,209
Other comprehensive income		-	125,664
Total comprehensive income attributable to the Shareholders		918,351	758,873

The notes on pages 31 to 70 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Statement of financial position

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

		2020	2019
	Notes		
Cash and bank balances	13	9,997,097	10,680,097
Short term investment	14	10,500,000	3,500,000
Trading investments	15	38,311,959	27,646,707
Investment in subsidiary	17	1,800	1,800
Loans and advances to customers	18	34,798,276	33,843,408
Equity investments	19	193,048	196,388
Other assets	20	4,514,151	2,354,262
Prepayments	21	470,168	266,148
Deferred tax asset	12c	53,208	88,887
Property, plant and equipment	22	1,222,411	1,208,098
Intangible assets	23	336,923	375,428
Total assets		100,399,041	80,161,223
Equity and liabilities			
Liabilities			
Customer deposits	24	83,743,271	65,898,780
Long term liabilities	25	1,253,123	792,528
Payables and accruals	26	2,725,515	1,808,929
Dividend payable	27	1,118,991	1,183,205
Taxation	12a	107,923	(62,476)
Total liabilities		88,948,823	69,620,966
Equity			
Stated capital	28	3,449,021	3,448,472
Development fund	29	3,009,417	2,709,417
Capital reserve		122,324	125,664
Statutory reserve fund	30	3,070,778	2,841,190
Deposit for shares		41,221	5,243
Credit risk reserve		(46,305)	(257,804)
Retained earnings		1,803,762	1,668,075
Total equity		11,450,218	10,540,257
Total equity and liabilities		100,399,041	80,161,223

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December, 2020
Statement of financial position
(All amounts are stated in Ghana cedi unless otherwise stated)

The notes on pages 31 to 70 are integral part of these financial statements. These financial statements were approved by the Board and signed on their behalf by:

Name of Director.....

Name of Director.....

Signature.....

Signature.....

Date

Date

CONFIDENTIALLY RESTRICTED FINAL DRAFT

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December, 2020
Statement of changes in equity
(All amounts are stated in Ghana cedis unless otherwise stated)

31 December 2020	Stated Capital	Capital Surplus	Retained Earnings	Develop't Fund	Credit Risk	Statutory Reserve Fund	D'sit For shares	Total
At year start	3,448,472	125,664	1,668,075	2,709,417	(257,805)	2,841,190	5,243	10,540,256
Prior year adjustment (IA)	-	-	(253,076)	-	-	-	-	(253,076)
Reinstatement balance	3,448,472	125,664	1,414,999	2,709,417	(257,805)	2,841,190	5,243	10,287,180
Deposit for shares	-	-	-	-	-	-	36,527	36,527
Transfer from deposit for shares	549	-	-	-	-	-	(549)	-
Profit for the year	-	-	918,351	-	-	-	-	918,351
Transfer to statutory reserve	-	-	(229,588)	-	-	229,588	-	-
Revaluation gain-equity investment	-	(3,340)	-	-	-	-	-	(3,340)
Transfer to development fund	-	-	(300,000)	300,000	-	-	-	-
Movement in BOG and IFRS 9 loan provision	-	-	-	-	211,500	-	-	211,500
At year end	3,449,021	122,324	1,803,762	3,009,417	(46,305)	3,070,778	41,221	11,450,218

The notes on pages 31 to 70 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December, 2020
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	-	125,664	-	-	-	-	-	125,664
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	3,448,472	125,664	1,668,075	2,709,417	(257,805)	2,841,190	5,243	10,540,257

SOUTH AKIM RURAL BANK LIMITED

UHY IS AN INDEPENDENT MEMBER OF UHY INTERNATIONAL

Financial statements for the ended 31 December, 2020

Statement of cash flow

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

	Notes	2020	2019
Cash generated from operations before taxation	38	17,488,153	6,271,897
Tax paid		(583,427)	(925,273)
Net cash generated from operating activities		16,904,726	5,346,624
Cash flows from investing activities:			
Purchase of property, property and equipment	22b.	(355,381)	(299,131)
Increase in Investment		(10,665,253)	(691,207)
Purchase of intangible assets		-	(385,054)
Net cash used in investing activities		(11,020,634)	(1,375,393)
Cash flows from financing activities:			
Proceeds from issue of shares		36,527	204,704
Development fund		-	(662,890)
Loan received		460,595	503,100
Dividend paid		(64,214)	(733,938)
Net Cash paid for Financing activities		432,908	(689,024)
Increase in cash and cash equivalent		6,317,000	3,282,207
Cash and cash equivalents at the beginning of the year		14,180,097	10,897,890
Cash and cash equivalents at the end of the year		20,497,097	14,180,097
Analysis of cash and cash equivalents:			
Cash and bank balances		9,997,097	10,680,097
Short term investment		10,500,000	3,500,000
At year end		20,497,097	14,180,097

The notes on pages 31 to 70 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies

(All amounts are stated in Ghana cedi 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 commenced 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)

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.

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.

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.

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.

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.

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.

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.

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.

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:

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.

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 year 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 year 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. 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 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.

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 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 record 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 financial position 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 |

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.

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 (%)	
		2020	2019
Current	Less than 30	1	1
OLEM	31-90	5	10
Sub-standard	91-180	25	25
Doubtful	181-360	50	50
Loss	Over 360	100	100

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December, 2020****Notes and significant accounting policies (continued)****(All amounts are stated in Ghana cedi unless otherwise stated)****4. 0. Financial risk management (continued)**

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
Provision	25% x 2%	25% x 5%	50% x 100%
Amount of impairment	163,571	19,932	1,795,150

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:

	2020	2019
Cash & balances with banks	9,997,097	10,680,097
Financial assets held to maturity	48,811,959	31,146,707
Loans & advances	34,798,097	33,843,408
Other assets	4,514,151	2,354,263
Equity investment	193,048	196,388

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	2020	2019
Current	1%	271,697	306,915
Other loans especially mentioned (OLEM)	5%	97,034	120,988
Sub-standard	25%	190,554	276,261
Doubtful	50%	662,220	398,185
Loss	100%	<u>970,246</u>	<u>377,737</u>
		<u>2,191,751</u>	<u>1,480,086</u>

4. 0. Financial risk management (continued)

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 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.

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	163,571
Underperforming	19,932
Non-performing	<u>1,795,150</u>
	<u>1,978,653</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 year 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, 2020

Notes and significant accounting policies (continued)

(All amounts are stated 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 2020	Up to 1 month	1 – 12 months	1 – 5 years	Non-interest bearing	Total
Financial assets					
Cash and bank balances	9,997,097	-	-	-	9,997,097
Trading investments	-	30,835,891	-	7,476,069	38,311,959
Loans and advances	32,441,532	2,356,743	-	-	34,798,275
Equity investments	-	-	193,048	-	193,048
Other assets	-	-	-	4,514,151	4,514,151
Total financial assets	42,438,629	33,192,634	193,048	11,990,220	87,814,531
Financial liabilities					
Customer deposits	10,100,997	73,642,274	-	-	83,743,271
Long term borrowing	-	-	1,253,123	-	1,253,123
Dividends payable	1,118,991	-	-	-	1,118,991
Accounts payable	-	-	-	2,725,515	2,725,515
Total financial liabilities	11,219,988	73,642,274	1,253,123	2,725,515	88,840,900
Total finance gap	31,218,641	(40,449,640)	(1,060,075)	9,264,705	(1,026,369)
At 31 December 2019					
Total financial assets	38,766,802	22,557,670	196,388	13,034,359	75,383,752
Total financial liabilities	9,563,865	57,518,120	792,527	1,808,929	69,683,441
Total finance gap	29,202,937	(34,960,450)	(596,139)	11,225,430	5,700,311

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

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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Cash and balances with banks	9,997,097	10,680,097	9,997,097	10,680,097
Financial assets measured at amortised cost	48,811,959	31,146,707	48,811,959	31,146,707
Loans and advances	34,798,097	35,764,155	37,709,216	33,843,408
Other asset accounts	4,514,151	2,354,263	4,514,151	2,354,263
Financial asset measured at fair value through				
Other comprehensive income	196,388	70,724	193,048	196,388
Total	98,317,692	80,015,946	101,225,471	78,220,863
Financial liabilities				
Customer deposits	83,743,271	65,898,780	83,743,271	65,898,780
Term borrowing	1,253,123	600,000	1,253,123	600,000
Payables and accruals	2,725,516	1,808,929	2,725,516	1,808,929
Dividend payable	1,118,991	1,183,205	1,118,991	1,183,205
Total	88,840,901	69,490,914	88,840,901	69,490,914

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, 2020, 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.

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.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

*(All amounts are stated in Ghana cedi unless otherwise stated)***5.1 Financial assets and financial liabilities (continued)****Fair value hierarchy (continued)**

As at 31 December 2020, the Bank held the following financial instruments measured at fair value:

2020	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	193,048	28,240		164,808
Trading investment	15	48,811,959		31,146,707	
Loans and advances	18	34,798,078			34,798,078

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

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

	2020	2019
Gross Loans (GH¢)	37,709,216	35,764,155
Performing loans (GH¢)	34,653,913	32,762,509
Non-performing loans (GH¢)	3,055,303	3,001,646
Non-performing loan ratio (NPL %)	8.10%	8.39%
Loan loss provision ratio	7.72%	5.37%
Ratio of 20 largest exposures to total credit (%)	29.36	29.20
Capital Adequacy Ratio (CAR %)	16.73%	18.75%
Primary Reserve - No. of defaults	Nil	nil

7. Interest income

	2020	2019
Loans and advances	10,519,397	11,225,380
Government securities & other investments	5,585,289	3,546,713
	16,104,686	14,772,093
Interest in arrears	(381,187)	(219,690)
	15,723,499	14,552,403

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

8. Interest expense	2020	2019
Savings and fixed deposit accounts	3,285,454	3,614,701
Interest on loan	121,801	3,144
	3,407,255	3,617,845
9. Commission and fees	2020	2019
Commitment fees	668,951	677,144
Commission	715,716	593,540
	1,384,667	1,270,685
10. Other operating income	2020	2019
Other income	80,662	11,923
Service charge	22,011	55,101
Sundry income	646,559	590,386
	749,232	657,410
10.1 Impairment loss	2020	2019
At start of year	1,480,085	1,414,148
Bad debt written off	-	(541,345)
impairment after write off	1,480,055	872,803
Charged to profit or loss	711,665	607,282
Impairment at year end based on Bank of Ghana guidelines	2,191,720	1,480,085
11. Other operating costs	2020	2019
Staff related costs - note (11a)	6,833,204	6,017,708
Depreciation	379,572	361,797
Directors fees	79,104	93,400
Audit fees	37,000	37,000
Microfinance expenses	301,893	273,458
General and administrative expenses-note (11b)	4,399,850	4,414,497
	12,030,623	11,197,860

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December, 2020****Notes and significant accounting policies (continued)****(All amounts are stated in Ghana cedi unless otherwise stated)**

11(a). Staff related cost	2020	2019
Salaries and wages	5,339,773	4,318,303
Staff social security	606,608	545,959
Staff provident fund	286,307	263,709
Staff training and development	66,391	59,607
Staff medical costs	84,930	64,683
Other staff allowances	449,195	765,447
	6,833,204	6,017,708
11(b) General and administrative expenses	2020	2019
Electricity & water	254,515	421,619
Board meeting expenses	232,246	190,377
Police guard expenses	346,167	301,025
Travelling expenses	75,754	367,590
Office expenses	126,489	126,097
Printing & stationery	259,725	275,387
Repairs & maintenance	158,003	105,017
Rent & rates	152,875	155,046
Telephone postage	76,791	45,797
Insurance expenses	411,516	162,122
Advertising & publicity	40,938	40,239
Shortage in till	320	150
Anniversary expenses	91,496	122,140
Vehicle running expenses	470,868	519,805
Entertainment/protocol expenses	110,649	124,321
Specie expenses	56,401	43,351
Annual subscription	51,620	52,572
Computerisation	324,283	410,589
Cheque clearing expenses	35,753	31,766
Generating plant	53,402	52,660
Donation	29,352	32,414
Legal expenses	80,308	59,824
Motor vehicle repairs & Maintenance	170,135	171,318
Audit expenses	11,950	11,682
Professional fees	-	15,000
Other expenses	450,352	128,861
Business promotion	327,942	447,728
	4,399,850	4,414,497

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December, 2020
Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)
12(a). Taxation

	Balance at 1/1/2020	Charge for the Year	Adjustment	Payments	Balance at 31/12/2020
2017	(132,235)	-	211,309	(79,074)	-
2018	132,235	-	(177,882)	-	(45,647)
2019	(62,475)	-	-	-	(62,475)
2020	-	720,398	-	(504,353)	216,045
	(62,475)	720,398	-	(583,427)	107,923

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

(b) Charge to income statement

	2020	2019
Current income tax expense	720,398	437,525
Charge to income statement for deferred tax	35,679	(13,224)
Underestimate	33,426	-
Balance at year end	789,504	424,301

(c) Deferred tax

	2020	2019
Balance at year start	(88,887)	(75,663)
Charge to income statement	35,679	(13,224)
Balance at year end	(53,208)	(88,887)

12(d) Reconciliation of effective tax rate

	2020	2019
Profit before tax	1,707,855	1,057,510
Income tax using domestic tax rate (25%)	426,964	264,378
Tax effect of non-deductible expense	424,007	309,446
Tax effect of under estimate	33,426	-
Effect of deferred tax	35,679	(13,224)
Tax effect of capital allowance	(130,572)	(136,298)
Tax expense charge to profit or loss	789,504	424,302
Effective tax rate (%)	46.23	40.12

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

*(All amounts are stated in Ghana cedi unless otherwise stated)***13. Cash and bank balances**

	2020	2019
Cash holdings	3,875,467	3,460,273
Bank (Note 32b)	1,146,590	3,416,665
ARB Apex Bank Limited- 5% Deposit (Note 16)	3,921,428	3,164,923
Mobile money cash balance	1,053,612	638,235
	9,997,097	10,680,097

14. Short-term investments

	2020	2019
Apex certificate of deposit (ACOD 7/30)	2,000,000	-
Treasury bills note	8,500,000	3,500,000
	10,500,000	3,500,000

15. Trading investment

	2020	2019
Fixed deposit with Non-Bank Financial Institution	7,476,069	10,845,740
Government stock	31,068,879	17,000,005
	38,544,948	27,845,745
Unearned interest	(232,989)	(199,038)
	38,311,959	27,646,707

16. ARB Apex Bank Limited- 5% Deposit

	2020	2019
At start of year	3,164,924	2,960,120
Net Investments during the Year	756,504	204,804
At year end	3,921,428	3,164,924

17. Investment in subsidiary

	2020	2019
SARB Service Limited	1,800	1,800

The SARB Service Limited is a subsidiary but as at 31 December, 2020, the Company is no more in existence except its net assets that procedures will be followed to liquidate the Company by appointing a liquidator.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

18 (a) Loans and advances

Analysed by type of facility	2020	2019
Advances	13,491,407	12,068,287
Loans	<u>24,217,808</u>	<u>23,695,868</u>
	37,709,215	35,764,155
Less: provision for credit losses	(2,910,939)	(1,920,747)
	34,798,276	33,843,408

b) Analysed by type of customer

	2020	2019
Individuals	20,886,523	21,465,496
Private institutions	7,371,085	6,806,176
Others	<u>9,451,607</u>	<u>7,492,483</u>
	37,709,215	35,764,155
Less provision for credit losses	(2,910,939)	(1,920,747)
	34,798,276	33,843,408

(c) Sectorial report
Loans

Agriculture	593,739	565,408
Cottage industry	746,666	451,013
Transport	871,629	1,830,814
Commerce	9,335,398	9,540,164
Others (Microfinance)	12,461,883	11,308,467

	24,009,305	23,695,865
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Advances

Commerce	13,011,622	11,047,685
Others	688,288	1,020,604

	13,699,910	12,068,289
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Total loans and overdraft

	37,709,215	35,764,155
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Less provision for credit losses	(2,910,939)	(1,920,747)
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	34,798,276	33,843,408
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19. Equity Investments
2020
2019

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

Quoted shares		
Societe Generale Ghana	5,760	5,760
GCB Bank Limited	22,000	25,500
Cocoa Processing Company Limited	480	320
	28,240	31,580
Unquoted shares		
ARB Apex Bank Ltd	164,808	164,808
Total	193,048	196,388
20. Other Assets		
	2020	2019
Office accounts	406,147	54,790
Stationery stock	250,512	247,576
Sundry debtors	102,157	252,990
Covid19 loans managed by the Bank	727,840	
Interest and commission accrued	3,027,495	1,798,907
	4,514,151	2,354,263
21. Prepayments		
	2020	2019
Rent	332,320	246,912
Insurance	137,848	19,236
	470,168	266,148

22a. Property, plant and equipment- 2020

1 January

Additions

31 December

UHY IS AN INDEPENDENT MEMBER OF UHY INTERNATIONAL

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SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

	Cost/valuation		
Land & Building	1,126,113	-	1,126,113
Office Equipment	511,144	142,278	653,422
Plant & Machinery	272,070	-	272,070
Motor Vehicle	1,156,749	85,619	1,242,368
Computer & Accessories	737,738	70,283	808,021
Furniture & Fittings	682,393	57,200	739,593
	4,486,207	355,380	4,841,587
Accumulated Depreciation	1 January	Charge for the year	31 December
Land & Building	341,797	56,305	398,102
Office Equipment	477,697	43,277	520,974
Plant & Machinery	240,735	14,739	255,474
Motor Vehicle	973,373	118,999	1,092,372
Computer & Accessories	614,332	73,416	687,748
Furniture & Fittings	630,175	34,331	664,506
	3,278,109	341,067	3,619,176
Carrying values:			
Land & Building			728,011
Office Equipment			132,448
Plant & Machinery			16,596
Motor Vehicle			149,997
Computer & Accessories			120,273
Furniture & Fittings			75,086
			1,222,411

22b. Property, plant and equipment- 2019

1 January

Additions

31 December

UHY IS AN INDEPENDENT MEMBER OF UHY INTERNATIONAL

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

	Cost/valuation		
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	662,597	19,797	682,393
	4,187,076	299,132	4,486,207
Accumulated Depreciation	1 January	Charge for the year	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	562,840	67,335	630,175
	2,925,938	144,765	3,278,109
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			52,218
			1,208,098
23. Intangible assets	2020	2019	
Cost	385,054	385,054	
Accumulated depreciation	(48,132)	(9,626)	
Balance	336,923	375,428	

24. Customer Deposits

2020

2019

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

(a) Analysed by type of accounts		
Time deposits	23,283,556	20,023,847
Current account	10,100,997	8,380,660
Savings accounts	50,358,718	<u>37,494,273</u>
	83,743,271	65,898,780
(b) Analysed by Type of Customers		
Susu	15,605,852	23,920,201
Government agencies and department	11,852,007	515,124
Private Enterprise	10,525,574	9,351,046
Individual	40,264,675	32,112,409
	83,743,271	65,898,780

25. Long term liabilities	2020	2019
Software license fee payable	-	192,527
ARB Apex Bank	1,253,123	600,000
	1,253,123	792,527

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, the Bank received GHS 727,840 from ARB Apex Bank Limited as covid19 fund set up by Ghana Government to be managed by the Bank.

26. Payables and accruals	2020	2019
Accrued interest	948,813	1,020,506
Bills payable	508,695	239,973
Audit fees	18,500	18,500
Police guard	28,800	21,600
Office accounts	349,972	279,406
Uncleared effect	59,836	29,418
Software license fee payable	262,050	-
Inter-Agency	803	80
Ezwich	593,146	6,919
	2,725,515	1,808,929

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2020

Notes and significant accounting policies (continued)

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

27. Dividend payable	2020		2019	
At start of year	1,183,205		977,027	
Dividend declared at AGM	-		940,116	
Payments	64,214		(733,938)	
At close of year	1,118,991		1,183,205	

28. Stated Capital	Number	2020 Proceeds	Number	2019 Proceeds
Authorised				
Authorised ordinary shares	<u>100,000,000</u>	-	<u>100,000,000</u>	-
Issued Ordinary Shares for:				
Cash and other than cash	80,687,053	3,448,472	78,438,883	3,223,655
Additions during the year for cash/to correct RGD filing (2020)	76,074	549	2,248,170	224,817
At year end	80,763,127	3,449,021	80,687,053	3,448,472

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

Notes and significant accounting policies (continued)

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

29. Development fund	2020	2019
At start of year	2,709,417	3,172,307
Transfer from retained earnings	300,000	200,000
Agency developments costs	-	(662,890)
At year end	3,009,417	2,709,417

29.1. Credit risk reserve	2020	2019
Balance at start of year	(257,805)	-
Bank of Ghana position after IFRS impairment	2,190,154	1,480,086
IFRS Impairment provision	(1,978,654)	(1,737,891)
At year end	(46,305)	(257,805)

30. Statutory Reserve Fund	2020	2019
At start of year	2,841,190	2,682,888
Transferred from Retained earnings	229,588	158,302
At year end	3,070,778	2,841,190

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;

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

Notes and significant accounting policies (continued)

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

30. Statutory Reserve Fund (continued)

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

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.

	2020	2019
Profit attributable to ordinary shareholders	918,351	633,209
Weighted average shares	81,244,137	80,125,011
EPS	0.011	0.008
32. Cash and Cash Equivalents	2020	2019
Cash holdings (Note 13)	3,875,467	3,460,273
Bank (Note 32b)	1,146,590	4,054,900
ARB Apex Bank Limited-5% Deposit (Note 16)	3,921,428	3,164,924
Short term investment(Note 14)	10,500,000	3,500,000
	19,443,485	14,180,097

32(b). Bank Balance	2020	2019
ARB Apex Bank Limited	1,146,590	3,416,665
Other banks (Mobile money)	1,053,612	638,235
	2,200,203	4,054,900

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

Notes and significant accounting policies (continued)

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

33. Capital commitments

There were no outstanding capital commitments at the reporting date (2019: Nil).

34. Contingencies

There were no contingent assets or liabilities not provided at the reporting date (2019: Nil).

35. Legal proceeds

There were no legal proceedings against the Bank at the reporting date (2019: Nil).

36. Related party transactions

a) Key management personnel and directors

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	2020	2019
Directors Emoluments	79,104	93,400
Salaries and other benefits to senior management	434,898	296,070

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

Notes and significant accounting policies (continued)

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

36. Related party transactions (continued)

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 are the details:

Details	At start of year	Addition	Payments	At year end
Directors	254,222	-	-	254,222
Firms that Directors have interest	399,444	-	-	399,444
Senior management staff	1,633,908	169,200	337,217	1,465,891

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 **81,244,137** (2019: 80,125,011) Ordinary Shares Outstanding).

(ii) Directors Shareholding:

The total number of shares held by the Directors of the Bank at the reporting date represented 7.91% of total number of shares outstanding then. Below are the details

Directors' shareholding as at 31 December 2020

	Names of Director	No. of Shares	Percentage of Issued Capital
1.	Joseph Sarpong	2,164,363	2.66
2.	William Agyenim-Boateng	1,951,323	2.40
3.	Daniel Ohene Kwaku Owusu	837,556	1.03
4.	Elizabeth Afriyie Fianko (Mrs.)	517,730	0.64
5.	Dr. Mark Boadu	338,659	0.42
6.	Stephenson Samuel Ayeh	301,296	0.37
7.	Michael Addo Amoah	171,762	0.21
8.	Dr. Edward Kwapong	<u>146,463</u>	<u>0.18</u>
		<u>6,429,152</u>	<u>7.91%</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

Notes and significant accounting policies (continued)

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

(iii) Key Management staff other than the Board of Directors shareholding as at 31 December 2020

	Names of Staff	No. of Shares	Percentage of Issued Capital
1.	Mr. Forson Temeng	312,476	0.38
2.	Mr. Stephen Yamoah Nteful	157,675	0.19
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	29,937	0.04
8.	Shani Mahama	<u>22,612</u>	<u>0.03</u>
		<u>841,693</u>	<u>1.04</u>

37. Number of Shareholders

The Bank had 6,229 Ordinary Shareholders as at 31 December 2020 distributed as follows: -

Holding Agency	No. of Members	Total Holding	% Holding
Nankese	2,702	27,093,781	33.35
Suhum	1,576	23,510,977	28.94
Asamankese	837	13,055,541	16.07
Koforidua	599	8,932,600	10.99
Adoagyiri	179	7,225,787	8.89
Osenase	243	1,086,869	1.34
Adweso	70	235,882	0.29
Kade	<u>23</u>	<u>102,700</u>	<u>0.13</u>
	<u>6,229</u>	<u>81,244,137</u>	<u>100%</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2020

Notes and significant accounting policies (continued)

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

38. Cash flows from operating activities:	2020	2019
Profit before tax	1,707,855	1,057,510
Add: depreciation	379,572	361,797
IFRS 9 effect	211,500	(552,029)
Prior year adjustment	(253,076)	-
Cash Inflow before changes in working capital	2,045,851	867,278
Increase in loans and advances	(954,867)	(891,631)
Increase in other assets	(2,159,889)	(79,047)
Increase in customer deposit	17,844,491	6,709,450
Increase/(decrease) in accounts payable	916,587	(451,849)
Decrease/(increase) in prepayments	(204,020)	117,697
	<u>17,488,153</u>	<u>6,271,897</u>

39. Covid'19 impact/effect

Due to the location of the Bank, they have received more deposit than budgeted. The only challenge is commercial loans performance has reduced though personal loan performance has increased. But as a whole, management have not experienced any negative impact from the covid19 pandemic.

Just after the reporting date, Government has announced the rise in the covid19 cases which is described as the second phase.

Management of the Bank are hopeful that they will not be affected much and believe they will still operate in their full capacity.

40. Changes in Laws and Regulations (Enactment of Anti-money laundering Act, 2020 (Act 1044))

On 29th December 2020 the new Anti-money laundering Act, 2020 (Act 1044) came into full force with the repeal of the Anti-money laundering Act, 2008 (Act 749). The Bank, Management and the Board complied with the requirements of the earlier law until its repeal on 29th December, 2020. Subsequently, the Bank has kept its books, records and documentation in a manner consistent with the requirements of the Anti-money laundering Act, 2020 (Act 1044).