

SOUTH AKIM RURAL BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

Final draft – Confidential

SOUTH AKIM RURAL BANK LIMITED

Financial statements

For the year ended 31 December, 2017

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SOUTH AKIM RURAL BANK LIMITED

Corporate information for the year ended 31 December, 2017

Board of Directors

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

Secretary/Supervising Manager

Mr. Festus Kwame-Mensah Ofosu

Solicitors

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

Registered Office and Principal Place of Business

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

Independent Auditors

UHY Voscon Chartered Accountants
No. C806/4, Boundary Road,
Tudu, Accra
Adjacent to City Paints Supply
P.O Box LA 476
La-Accra.

Bankers

ARB Apex Bank Limited

Company Registration Number

CS293192017

TIN

C000690453X

SOUTH AKIM RURAL BANK LIMITED

Five year financial summary	2017	2016	2015	2014	2013
Interest income	15,711,850	14,409,510	11,509,035	8,286,744	6,700,973
Interest expense	(3,805,122)	(3,807,835)	(2,802,438)	(1,697,560)	(1,072,974)
Commission and fees	1,281,953	1,132,759	1,077,450	1,067,160	789,753
Other operating income	300,460	207,759	130,577	82,284	34,278
Profit before tax	3,280,345	3,109,561	2,697,398	1,999,547	1,895,029
Profit after tax	2,343,843	2,342,241	2,508,888	1,754,265	1,720,567
Tax expenses	(936,502)	(767,320)	(188,510)	(245,282)	(174,462)
Total assets	69,058,684	60,841,890	48,872,874	39,593,454	31,567,161
Equity	11,012,711	9,118,205	6,617,930	4,897,527	3,644,184
Total equity and liabilities	69,058,684	60,841,890	48,872,874	39,593,454	31,567,161

Financial highlights	2017	2016	Percentage (%)
Interest income	15,711,850	14,409,510	9.04
Interest expense	3,850,122	3,807,835	1.11
Commission and fees	1,281,953	1,132,759	13.17
Other operating income	300,460	207,759	44.62
Profit before taxation	3,280,345	3,109,561	6.02
Total Assets	69,058,684	60,841,890	13.51
Equity	11,012,711	9,118,205	20.78
Total equity and liabilities	69,058,684	60,841,890	13.51

SOUTH AKIM RURAL BANK LIMITED

Statement of Directors' responsibilities

Directors' responsibilities in respect of the financial statements

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

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment.
- state whether or not the Companies Act, 1963 (Act 179), 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, 1963 (Act 179), 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.....

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

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2017, 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.

	2017	2016
Profit before tax for the year	3,280,345	3,109,561
from which is deducted income tax expense of	<u>(936,502)</u>	<u>(767,320)</u>
giving profit after tax of	2,343,843	2,342,241
to which is added balance on retained earnings account brought forward of	<u>2,868,822</u>	<u>2,426,649</u>
leaving a balance before statutory and other transfers of	5,212,665	4,768,890
From which the following transfers were made:		
Transfer to statutory reserve	(585,961)	(292,780)
Transfer to stated capital	(239,000)	(200,000)
Transfer to dividend account	(624,075)	(607,288)
Transfer to development fund account	<u>(400,000)</u>	<u>(800,000)</u>
	<u>3,363,629</u>	<u>2,868,822</u>

The increase in the statutory reserve was due to the provision in the section 34(b) of the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

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

Stated capital and capital adequacy ratio

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

Dividends

The Directors proposed GH¢ 0.012 dividend per share amounting to GH¢ 766,549

Bonus Issue

The Directors proposed bonus issue to shareholders on the basis of one new share for every ten (10) shares held at the end of 2017 at a rate of GH¢ 0.10. This will amount to a total number of 6,387,913 shares with a value of 638,791

Principal activities

The principal business of the Bank is to provide banking and related services including taking deposits and lending money.

Appointment, retirement and re-election of Board Members

In accordance with Section 298 of the Companies Act, 1963 (Act 179) and the Regulations of the Bank, Mr. William Kwadwo Boateng (Chairman), Mr. Stephenson Samuel Ayeh and Dr. Mark Boadu were re-elected in 2017.

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. Emmanuel Christian Asante-Akufo	B. A. Education	Vice Chairman	Pensioner
Mr. Joseph Sarpong	Technological Certificate	Member	Chief Technologist
Nana Kwaku-Addo II	Cert. In Corporate Governance	Member	Industrialist
Mr. Daniel Ohene Kwaku Owusu	MBA (Accounting)	Member	Banking
Mrs. Elizabeth Afriyie Fianko	Diploma in Basic Education	Member	Teaching
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

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

Professional development and training

During the year, various training to management has involved some of the Board of Directors to help the Bank to achieve its goals though no formal and tailored programme were organized for the Board of Directors. Training of the Directors will 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 and Committees of the Board.

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 complains.

Events after reporting year

The Directors are not aware of any adjusting events after the reporting year.

Corporate responsibilities

The Bank gave scholarship to needy but brilliant student in the community and also contribute to structure of Nankese Senior High School. No donations were made to any political organization.

Related party transactions

Related party transactions and balances are also disclosed in note 32 to the financial statements. All the Directors and key management personnel have interest in shares but not loan stock of the company. Other than service contracts, no Director has a material interest in any contract to which the company was a party during the year.

Code of ethics

a. Employee

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

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

Approval of financial statements

The financial statements for the year set out on pages 20 to 64, which have been prepared on a going concern basis, were approved by the Board of Directors on 2018 and are signed on their behalf by:

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 ten (10). The Board at all times, shall be regulated by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930), notices of Bank of Ghana and ARB Apex Bank Limited.

As at 31 December 2017, the Board had its full complement of ten (10) members. All the Directors have varied experience and backgrounds and are well equipped to handle the responsibilities of the Board.

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 & Overdraft and Investment portfolios is done by the whole Board at Board meetings. The Board acts as the general policy maker of the Bank. Below are some other mandates of the Board:

- Approval of budgets i.e. corporate plans, annual budgets, quarterly budgets, etc...
- Approval and review of the remuneration and incentives for staff and their general welfare
- Handles disciplinary issues with recommendations from the Supervising Manager and the Disciplinary Committee
- Acquisition and disposal of all assets have to be approved by the Board
- Promotion of staff based upon the recommendation of the Supervising Manager
- Oversight of Supervising Manager and the Management team
- Policy formulation (the guidelines necessary for the Bank to operate efficiently)
- Policy formulation that encompasses all core functions e.g. finance, audit, procurement, recruitment.

SOUTH AKIM RURAL BANK LIMITED

Corporate Governance (CG) report (continued)

Board Sub-Committees

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

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

Technical and Planning Committee

The Committee is composed of Mr. Emmanuel Christian Asante-Akufo (Chairman), Mr. William Kwadwo Boateng, Dr. Edward Kwapong, Mr. Daniel Ohene Kwaku Owusu, Mr. Festus Ofori Kwame-Mensah, Mr. Forson Temeng and ex-officio: Mr. Stephen Yamoah Nteful, Mrs. Felicity Baah, Mr. Richard Kpodji 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 any other Committee

Audit Committee

The Committee is composed of Mr. William Kwadwo Boateng (Chairman), Mr. Emmanuel Christian Asante-Akufo, Nana Kwaku Addo II, Mr. Daniel Ohene Kwaku Owusu and Mr. Andrew Tetteh being the Secretary of the Committee.

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 assets

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

Audit Committee (continued)

Scope of activity

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

Human Resource and Development Committee

Composition

The Committee is composed of Dr. Edward Kwapong (Chairman), Mrs. Elizabth Afriyie Fianko, Mr. Stephenson Samuel Ayeh, Mr. Joseph Sarpong, Festus Ofosu Kwame-Mensah, Mr. Forson Temeng and ex-officio: 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 will ensure that there are effective system for:

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

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

Marketing, Mobilization and Microfinance Committee (mmmc)

Composition

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

The objectives of MMC 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.

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 increase.

ICT Committee

The Committee is composed of Mr. Joseph Sarpong (Chairman), Nana Kwaku Addo II, Mr. Michael Addo Amoah, Dr. Mark Boadu, Mr. Festus Ofosu Kwame-Mensah, Mr. Forson Temeng and ex-officio: Mr. Andrew Tetteh, Mr. Gilpen Ofori Okyere and Mr. Mr. Stephen Yamoah Nteful being the Secretary

Remit of the Committee

The Committee shall:

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

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

Frequency of meetings

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

The Board and its Committees met as follows:	Number of meetings
Board of Directors	12
Technical and Planning Committee	12
Audit Committee	7
Human Resource Committee	4
Marketing/Mobilization Committee	3
ICT Committee	3

Attendance at board and committee meetings

The Bank of Ghana stipulates that directors must attend meetings as an when it is organized. Good corporate governance is fundamental to the long term success of any institution. This remains the bedrock of the operations of the Bank and its Board.

Board of Directors

The Board of Directors conveyed thirteen (12) meetings.

Directors	Total number attended	Percentage (%)
Mr William Kwadwo Boateng (Chairman)	12	100
Mr Emmanuel Christian Asante- Akufo	11	92
Nana Kwaku Addo II	2	17
Mr Stephenson Samuel Ayeh	12	100
Mrs Elizabeth Afriyie Fianko	12	100
Mr Daniel Ohene Kwaku Owusu	11	92
Mr Michael Addo Amoah	10	83
Dr Edward Kwabong	11	92
Mr Joseph Sarpong	8	67
Dr Mark Boadu	12	100

SOUTH AKIM RURAL BANK LIMITED**Corporate Governance (CG) report (continued)****Technical and Planning Committee**

Technical and Planning Committee conveyed twelve (12) meetings during the year dated

Members	Total number attended	Percentage (%)
Mr. Emmanuel Christian Asante-Akufo (Chairman)	12	100
Mr. William Kwadwo Boateng	12	100
Dr. Edward Kwapong	7	58
Mr. Daniel Ohene Kwaku Owusu	9	75
Mr. Festus Ofori Kwame-Mensah	10	83
Mr. Forson Temeng	2	17
Ex-officio		
Mr. Stephen Y. Ntiful	1	8
Mrs. Felicity Baah	1	8
Richard Kpodji	1	8
L.T.O. Bruce - the Secretary.	1	8

Audit Committee

The Audit Committee conveyed seven (7) meeting during the year.

Members	Total number attended	Percentage (%)
Mr. William Kwadwo Boateng (Chairman)	7	100
Nana Kwaku Addo II	0	0
Mr. Emmanuel Christian Asante-Akufo	5	71
Mr. Daniel Ohene Kwaku Owusu	7	100
Mr. Andrew Tetteh	5	71

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

Human resource and development committee

The Human resource and development committee conveyed four (4) meetings during the year and all members attended.

Marketing/Mobilization and ICT Committee

The Market/ICT Committee conveyed three (3) meetings each during the year and all members attended all the meetings.

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, 1963 (Act 179) 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, 2017, 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, issued by the International Accounting Standards Board (IASB).

What we have audited

We have audited the accompanying financial statements of the South Akim Rural Bank Limited for the year ended 31 December, 2017.

The financial statements comprise:

- statement of profit or loss and other comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2017;
- 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.

Independence

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

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

Report on the audited financial statements (continued)

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.

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.

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, 1963 (Act 179) 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 misstatements resulting from the fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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.

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

Report on the audited financial statements (continued)

Report on other legal and regulatory requirements

The Companies Act, 1963 (Act 179) 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 Bank, so far as appears from our examination of those books; and
3. The statement of financial position and statement of profit or loss and other comprehensive income of the Bank are in agreement with the books of account.

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 largely complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti-Terrorism Act, 2008 (Act 762) and the regulations enactments; and
5. The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

Signed by:
For and on behalf of:
UHY Voscon (ICAG/F/2018/086)
Chartered Accountants
No. C806/4, Boundary Road, Tudu, Accra
P.O. Box LA 476,
La -Accra

Date 2018

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Statement of profit or loss and other comprehensive income

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

	Notes	2017	2016
Interest income	5	15,711,850	14,409,510
Interest expense	6	<u>(3,805,122)</u>	<u>(3,807,835)</u>
Net interest income		11,906,728	10,601,675
Commissions and fees	7	1,281,953	1,132,759
Other operating income	8	<u>300,460</u>	<u>207,759</u>
Total operating income		13,489,141	11,942,193
Impairment of loan		(328,396)	(127,590)
Other operating costs	9	<u>(9,880,400)</u>	<u>(8,705,042)</u>
Profit before taxation		3,280,345	3,109,561
Taxation	10	<u>(936,502)</u>	<u>(767,320)</u>
Profit after taxation		2,343,843	2,342,241
Other comprehensive income			
Revaluation surplus-equity investment		<u>31,276</u>	<u>-</u>
Total comprehensive income attributable to the Shareholders		<u>2,375,119</u>	<u>2,342,241</u>

The notes on pages 23 to 63 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December 2017
Statement of financial position

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

	Notes	2017	2016
Assets			
Cash and bank balances	11	7,730,542	6,195,079
Short-term and trading investments	12	27,827,683	25,081,291
Investment in subsidiary	14	1,800	1,800
Loans and advances to customers	15	27,805,468	23,615,153
Equity investments	16	196,938	166,342
Other assets	17	4,091,692	1,868,259
Deferred tax asset		30,334	26,379
Property, plant and equipment	18	<u>1,374,227</u>	<u>1,587,588</u>
Total assets		<u>69,058,684</u>	<u>60,841,890</u>
Equity and liabilities			
Equity			
Stated capital	19	2,406,680	2,027,348
Capital reserve		70,000	39,404
Development fund	20	3,025,795	2,625,795
Deposit for shares		3,810	-
Statutory reserve fund	21	2,142,796	1,556,836
Retained earnings		<u>3,363,629</u>	<u>2,868,822</u>
Total equity		<u>11,012,711</u>	<u>9,118,205</u>
Liabilities			
Customer deposits	22	54,892,968	48,085,251
Term borrowings	23	730,481	1,446,056
Payables and accruals	24	1,367,774	1,373,178
Dividend payable		785,725	646,625
Taxation	10	<u>269,025</u>	<u>172,575</u>
Total liabilities		<u>58,045,973</u>	<u>51,723,685</u>
Total equity and liabilities		<u>69,058,684</u>	<u>60,841,890</u>

The notes on pages 23 to 63 are integral part of these financial statements.

These financial statements were approved by the Board on..... 2018 and signed on their behalf by:

Name of Director..... Name of Director.....

Signature..... Signature.....

Date..... Date.....

SOUTH AKIM RURAL BANK LIMITED
Financial statements for the year ended 31 December 2017
Statement of changes in equity

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

31 December 2017

	Stated Capital	Capital surplus	Retained earnings	Development Fund	Statutory Reserve Fund	Deposit for shares	Total
At year start	2,027,348	39,404	2,868,822	2,625,795	1,556,836	-	9,118,205
Ordinary shares issued	140,332	-	-	-	-	-	140,332
Profit for the year	-	-	2,343,843	-	-	-	2,343,843
Transfer to statutory reserve	-	-	(585,961)	-	585,961	-	-
Revaluation surplus-equity investment	-	31,276	-	-	-	-	31,276
Revaluation deficit-equity investment	-	(680)	-	-	-	-	(680)
Transfer to development fund	-	-	(400,000)	400,000	-	-	-
Transfer to stated capital	239,000	-	(239,000)	-	-	-	-
Shares issued after 30th sept. 2017	-	-	-	-	-	3,810	3,810
Dividend	-	-	-	-	(624,075)	-	-
At year end	<u>2,406,680</u>	<u>70,000</u>	<u>4,002,629</u>	<u>2,625,795</u>	<u>2,142,797</u>	<u>3,810</u>	<u>11,012,711</u>

31 December 2016

	Stated capital	Capital surplus	Retained earnings	Development fund	Statutory reserve fund	Total
At year start	1,669,314	39,404	1,819,361	1,825,795	1,264,056	6,617,930
Prior year adjustment	-	-	607,288	-	-	607,288
Adjusted position	1,669,314	39,404	2,426,649	1,825,795	1,264,056	7,225,218
Ordinary shares issued	158,034	-	-	-	-	158,034
Profit for the year	-	-	2,342,241	-	-	2,342,241
Transfer from retained earnings	200,000	-	(200,000)	-	-	-
Transfer to statutory reserve	-	-	(292,780)	-	292,780	-
Transfer to development fund	-	-	(800,000)	800,000	-	-
Dividend	-	-	(607,288)	-	-	(607,288)
At year end	<u>2,027,348</u>	<u>39,404</u>	<u>2,868,822</u>	<u>2,625,795</u>	<u>1,556,836</u>	<u>9,118,205</u>

The notes on pages 23 to 64 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Statement of cash flow

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

	Notes	2017	2016
Cash flows from operating activities:			
Profit before tax		3,280,345	3,109,561
Add: depreciation		352,459	339,797
Decrease/increase in doubtful debts		<u>171,087</u>	<u>(3,433)</u>
Cash Inflow before changes in working capital		3,803,891	3,445,925
 Increase/decrease in loans and advances		(4,361,403)	(3,360,125)
Increase/decrease in other assets		(2,223,433)	(507,956)
Increase/decrease in customer deposit		6,807,717	10,613,112
Increase/decrease in accounts payable		<u>(5,404)</u>	<u>(72,330)</u>
 Cash generated from/ (used in) operations		4,021,368	10,118,626
Tax paid		<u>(844,007)</u>	<u>(651,713)</u>
 Net cash generated from operating activities		<u>3,177,361</u>	<u>9,466,913</u>
 Cash flows from investing activities:			
Purchase of property, property and equipment	18	(139,097)	(480,775)
Increase in Investment		<u>(1,546,392)</u>	<u>(7,258,791)</u>
 Net cash used in investing activities		<u>(1,685,489)</u>	<u>(7,739,566)</u>
 Financing activities:			
Proceeds from issue of shares		144,142	158,034
Movement in capital grant		-	(33,416)
Net loan repayment		(715,576)	(715,575)
Dividend paid		<u>(484,975)</u>	<u>(465,035)</u>
 Net Cash flow from Financing		<u>(1,056,409)</u>	<u>(1,055,992)</u>
 Increase in cash and cash equivalent		435,463	671,355
 Cash and cash equivalents at the beginning of the year		<u>8,495,079</u>	<u>7,823,724</u>
Cash and cash equivalents at the end of the year		<u>8,930,543</u>	<u>8,495,079</u>
 Analysis of cash and cash equivalents:			
Cash and bank balances		7,730,542	6,195,079
Statutory deposit		<u>1,200,000</u>	<u>2,300,000</u>
 At year end		<u>8,930,542</u>	<u>8,495,079</u>

The notes on pages 23 to 64 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies

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

1. Reporting entity

The South Akim Rural Bank Limited is a Limited Liability Company registered in Ghana and authorised by its Regulations and a banking license issued by the Bank of Ghana to engage in the provision of banking and related services including the taking of deposits and lending of money. It was incorporated on 25th August 1984 and commence business on 13th June 1986. The Bank have re-registered on 13th November, 2017.

The bank is domiciled in Ghana with its head office in Nankese and its agencies located across Eastern region.

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 as issued by the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179) 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.

c) Functional and presentation currency

These financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional currency.

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 period in which the estimate is revised and in any future periods affected.

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

2.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods 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.

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

2.2.1 Revenue recognition (continued)

(b) Fee and commission income

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

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

(c) Dividend income

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

2.2.2 Interest Expense

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

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

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

2.2.3 Income tax expense

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

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

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

2.2.3 Income tax expense (continued)

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

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

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

2.2.3 Financial assets and liabilities

a) Recognition

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

b) De-recognition

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

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

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

2.2.3 Financial assets and liabilities

b) De-recognition

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.

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.

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

2.2.3 Financial assets and liabilities (continued)

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.

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.

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

2.2.3 Financial assets and liabilities (continued)

f) Identification and measurement of impairment (continued)

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.

g) Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss when either:

- a. the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- b. the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- c. the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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.

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

2.2.3 Financial assets and liabilities (continued)

i) Loans and advances

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

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

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

j) Investment securities

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

k) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

It must be noted that IFRS 9 only considers fair value and amortised cost based on the business models for managing the financial asset and the contractual cash flow characteristics of the financial asset. Thus all Held-To-Maturity assets are classified as amortised cost.

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

l) Fair value through profit or loss

The Bank carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss.

m) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest rate method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is transferred to profit or loss.

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.

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

(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.

Any outstanding leave is converted to cash and provision is made and recognised in the statement of profit or loss and other comprehensive income.

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.

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

2.2.5 Employee benefits (continued)

Short term employment benefits (continued)

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.

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.

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

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.

2.2.7 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.

2.2.8 Borrowing cost

Borrowing cost deals with the capitalization of interest cost and funds used in the construction, production and acquisition of a qualifying asset. IAS 23 allows borrowing cost to be capitalized if it relates to the production of a qualifying asset. Qualifying asset that takes a substantial year of time to get the asset ready for its intended use or eventual sale. A qualifying asset can be tangible or intangible asset. Borrowing costs are interest and other costs (finance lease charges, exchange differences) that an entity incurs in connection with the borrowing of funds.

The following conditions must be met before the capitalization of borrowing cost;

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

2.2.8 Borrowing cost (continued)

- The borrowing cost capitalized should relate to the cost incurred on the project.
- The borrowing cost capitalized cannot exceed the total cost for the year
- Borrowing cost capitalized should commence when the expenditure on the project is being incurred and undertakes activity necessary to prepare the asset for its use or eventual sale which is not necessary from the date the funds are borrowed. The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset.
- They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction
- Borrowing cost capitalized should cease when the asset is ready for its intended use or eventual sale.
- Borrowing cost capitalized should be suspended in the year of inactivity or no active development of the qualifying asset.

Borrowing cost does not apply to inventories manufactured on large quantities on a repetitive basis.

Borrowing costs that do not meet the capitalization criteria must be expensed into the income statement. Borrowing costs cannot be capitalized for assets measured at fair value. The interest rate for the borrowing cost is the effective rate which incorporates amortization for discounts, premium and other expenses like issue costs. Any investment income from the temporal investment of the funds for the construction or purchase of the qualifying assets during the construction year should be net against the borrowing cost eligible to be capitalized.

Any investment income during year of inactivity in the construction year will be credited to the income statement separately. Any investment income outside the construction year will be credited to the income statement separately.

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.

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

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:

- 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 2017 (2016: nil).

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

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.

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

2.2.12 Standards/Amendments to standards issued but not yet effective

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

2.2.12.1 IFRS 9 Financial Instruments

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment, Hedge Accounting and Derecognition. Applicable on or before 1 January 2018.

2.2.12.2 IFRS 15 "Revenue from Contracts with Customers" and further amendments

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Applicable on or before 1 January 2018.

2.2.12.3 IFRS 2, Share-based Payment

Classification and Measurement of Share-based Payment Transactions: A collection of three distinct narrow scope amendments dealing with classification and measurement of share-based payments. Applicable on or before 1 January 2018

2.2.12.4 IFRS 4, Insurance Contracts

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Two amendments to IFRS 4 to address the interaction between IFRS 4 and IFRS 9; a temporary exemption from IFRS 9 has been granted to insurers that meet specified criteria; and an optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial asset when it first applies IFRS 9. Applicable on or before 1 January 2018.

2.2.12.5 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.

2.2.12.6 IAS 40, Investment Property

Transfers of investment property: Clarification of the requirements on transfers to, or from, investment property. Applicable on or before 1 January 2018

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

2.2.12 Standards/Amendments to standards issued but not yet effective (continued)

2.2.12.7 IAS 28, Investment in Associate and Joint ventures

Annual Improvements 2014-2016 Cycle: Clarification that event capital organisation or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture. Applicable on or before 1 January 2018.

2.2.12.8 IFRIC 22, Foreign Currency

Transactions and advance consideration: This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency. Applicable on or before 1 January 2018

2.2.12.9 IFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of standard. The objective of IFRS 17 is to ensure that the entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contract have on the entity's financial position, financial performance and cash flows. Applicable on or before 1 January 2021

2.2.12.10 IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination to taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. 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:

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

3. Critical accounting estimates and judgments (continued)

(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) Held-to-maturity investments

The Bank follows guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. 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 available for sale. These investments would therefore be measured at fair value and not amortised cost.

(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:

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;

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

3.2 Stated capital and reserves (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.
- (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 69 and 70 of the Companies Act, 1963 (Act 179) 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 records the cumulative annual profits (after appropriations) available to shareholders which is not distributed as dividend as at the reporting date.

(d) Development fund reserve

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

3.3 Events after reporting date

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

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

3.4 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

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

4. Financial risk management

Financial risk factors

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank is exposed to a variety of financial risks which include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Bank's overall risk management programme seeks, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. Management regularly reviews the Bank's risk management policies and systems to reflect changes in markets, products and emerging best practice.

The objective of Management is to ensure that the Bank carries out its operations in manner that ensure that risks are balanced with rewards. Management ensures that the Bank complies with all regulatory guidelines in the pursuit of profitable opportunities while avoiding excessive, unnecessary and uncontrollable risk exposures. Financial risk is an inherent feature in the business activities of the Bank, and therefore Management has put in place various mitigating criteria to prevent their occurrence.

The internal audit function plays a key role in providing an objective view and continuous assessment of the effectiveness of the internal control systems in the Bank. The system of internal controls are

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

4. Financial risk management (continued)

Financial risk factors (continued)

implemented and monitored by appropriately trained personnel whose duties and reporting lines are clearly defined.

The Bank's primary defense against risks of losses is its approved policies, procedures and systems of internal controls. In addition, internal control mechanisms ensure that appropriate action is taken when identified risk pass acceptable levels, as approved by the Board of Directors. Internal control, from time to time, reviews and assesses the adequacy of procedures and controls.

The Bank uses different methods to measure and manage the various types of risk to which it is exposed. These methods are explained below:

4.1 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flows. The Bank holds fixed interest bearing securities and debt that expose the Bank to interest rate risk. The Bank manages interest rate risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities.

The tables below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

4. Financial risk management (cont'd)

At 31 December 2017	Up to 1 Month	1 – 12 Months	1 – 5 Years	Non- Interest Bearing	Total
Financial assets					
Cash and bank balances	7,730,542	-	-	-	7,730,542
Short-term investments	1,200,000	-	-	-	1,200,000
Loans and advances	27,137,691	667,777	-	-	27,805,468
Equity investments	-	-	196,938	-	196,938
Other assets	-	-	-	4,091,692	4,091,692
Total financial assets	<u>36,068,233</u>	<u>667,777</u>	<u>196,938</u>	<u>4,091,692</u>	<u>41,024,640</u>
Financial liabilities					
Customer deposits	6,971,554	47,921,414	-	-	54,892,968
Term borrowing	-	730,481	-	-	730,481
Dividends payable	785,725	-	-	-	785,725
Accounts payable	-	-	-	1,367,774	1,367,774
Total financial liabilities	<u>7,757,279</u>	<u>48,651,895</u>	<u>-</u>	<u>1,367,774</u>	<u>57,776,948</u>
Total finance gap	<u>28,310,954</u>	<u>(47,984,118)</u>	<u>(196,938)</u>	<u>(2,723,918)</u>	<u>(16,752,308)</u>
At 31 December 2016					
Total financial assets	31,640,837	469,395	166,342	1,868,259	34,144,833
Total financial liabilities	5,967,820	42,833,006	730,482	2,019,803	51,551,110
Total finance gap	<u>25,673,017</u>	<u>(42,363,611)</u>	<u>(564,140)</u>	<u>(151,544)</u>	<u>(17,406,277)</u>

4.2 Credit risk

The Bank is exposed to credit risk, which is the risk that counterparty will be unable to pay amounts in full when they fall due. The Bank is exposed to counterparty risk on cash and cash equivalents, amounts due from financial institutions and other receivable balances. It is also exposed to other credit risks arising from investments in debt securities.

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December 2017****Notes and significant accounting policies (continued)***(All amounts are stated in Ghana cedi unless otherwise stated)***4. Financial risk management (cont'd)**

The maximum exposure to credit risk before any credit enhancements at 31 December 2017 is the carrying amount of the financial assets as set out below:

	Notes	2017	2016
Cash and bank balances	11	7,730,542	6,195,079
Short term and trading investments	12	27,827,683	27,381,290
Loans and advances	15	27,805,468	23,615,153
Equity investments	16	196,938	166,342
Other assets	17	<u>4,091,692</u>	<u>1,868,259</u>
		<u>67,652,323</u>	<u>59,226,123</u>

A provision of GH¢ 674,998 has been made on loans and advances in accordance with Bank of Ghana requirements (2016: GH¢ 503,911) and this does not differ from the IFRS requirement and that no additional credit risk reserve is provided.

4.3 Liquidity risk

Liquidity risk is the risk that the Bank may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Bank manages this risk by ensuring that it has access to a variety of funding sources. Particular attention is paid to marketability of assets, whose availability for sale or as collateral for refinance is evaluated under different market scenarios. Consequently, the Bank monitors any factors that may impact negatively on its capability to remain liquid. It is the policy of the Bank to invest in short-term securities that could be readily disposed. Management monitors its liquidity position on daily basis and the Board reviews it at its board meetings.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

4. Financial risk management (cont'd)

Non-derivative financial assets and liabilities held for managing liquidity risk

The table below analyses the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 31 December 2017	Up to 1 Month	1 – 12 Months	1 – 5 Years	Non- Interest Bearing	Total
Financial assets					
Cash and bank balances	7,730,542	-	-	-	7,730,542
Short-term investments	1,200,000	-	-	-	1,200,000
Loans and advances	27,137,691	667,777	-	-	27,805,468
Equity investments	-	-	196,938	-	196,938
Other assets	-	-	-	4,091,692	4,091,692
Total financial assets	<u>36,068,233</u>	<u>667,777</u>	<u>196,938</u>	<u>4,091,692</u>	<u>41,024,640</u>
Financial liabilities					
Customer deposits	6,971,554	47,921,414	-	-	54,892,968
Term borrowing	-	730,481	-	-	730,481
Dividends payable	785,725	-	-	-	785,725
Accounts payable	-	-	-	1,367,774	1,367,774
Total financial liabilities	<u>7,757,279</u>	<u>48,651,895</u>	<u>-</u>	<u>1,367,774</u>	<u>57,776,948</u>
Total finance gap	<u>28,310,954</u>	<u>(47,984,118)</u>	<u>(196,938)</u>	<u>(2,723,918)</u>	<u>(16,752,308)</u>
At 31 December 2016					
Total financial assets	31,640,837	469,395	166,342	1,886,212	34,162,786
Total financial liabilities	<u>5,967,820</u>	<u>42,833,006</u>	<u>730,482</u>	<u>2,019,803</u>	<u>51,551,110</u>
Total finance gap	<u>25,673,017</u>	<u>(42,363,611)</u>	<u>(564,140)</u>	<u>(133,591)</u>	<u>(17,388,325)</u>

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

4.4 Capital risk management

The capital of the Bank is represented by the net assets attributable to Equity Shareholders of the Bank. The amount of net asset attributable to Equity Shareholders can change significantly depending on the quality of its assets portfolio. The Bank's objective for managing capital is to:

- Comply with the capital requirements set out by the Bank of Ghana;
- Safeguard the Bank's ability to continue as a going concern in order to provide returns for Shareholders;
- Maintain a strong capital base to support the development of its business.

The Board of Directors and Management monitor capital on the basis of the value of net assets attributable to Equity Shareholders of the Bank.

4.5 Fair value estimation

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.

a) Fair value hierarchy

This hierarchy requires the use of observable market data when available. The Bank considers relevant observable market prices in its valuation where possible. There has been no movement of financial instruments between different levels in the current year. Financial instruments measured at fair value at 31 December were classified as follows:

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

4.5 Fair value estimation (continued)

A) Fair value hierarchy (continued)

	level 1	level 2	level 3	Total
2017				
Financial assets				
Equity investments	32,130	-	164,808	196,938
At year end				
At start of year	(1,534)	-	(164,808)	(166,342)
Change	<u>30,596</u>	<u>-</u>	<u>-</u>	<u>30,596</u>

b) Financial assets not measured at fair value

The following table summarises the carrying amounts of those financial assets and liabilities not presented in the Bank's statement of financial position at their fair value:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair value
Financial assets				
Cash and bank balances	7,730,542	7,730,542	3,891,040	3,891,040
Short-term and trading investments	27,827,683	27,827,683	29,685,330	29,685,330
Equity investment	196,938	196,938	166,342	166,342
Investment in subsidiary	1,800	1,800	1,800	1,800
Loans and advances	27,805,468	27,805,468	23,615,153	23,615,153
Other assets	<u>4,091,692</u>	<u>4,091,692</u>	<u>1,868,259</u>	<u>1,868,259</u>
	<u>67,652,323</u>	<u>67,652,323</u>	<u>59,226,124</u>	<u>59,226,124</u>
Financial Liabilities				
Customer deposits	54,892,968	54,892,968	48,085,251	48,085,251
Term borrowings	730,481	730,481	1,446,056	1,446,056
Payables and accruals	<u>2,153,499</u>	<u>2,153,499</u>	<u>2,019,803</u>	<u>2,019,803</u>
	<u>57,776,948</u>	<u>57,776,948</u>	<u>51,551,110</u>	<u>51,551,110</u>

Due to the short term nature of the financial assets and financial liabilities, their fair values approximate their carrying amounts except for the loans and the investment in subsidiary.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

5. Interest income	2017	2016
Loans and advances	10,376,881	9,414,843
Government securities & other investments	<u>5,334,969</u>	<u>4,994,667</u>
	<u>15,711,850</u>	<u>14,409,510</u>
6. Interest expense	2017	2016
Savings and fixed deposit accounts	3,630,784	3,527,136
Interest on loan	<u>174,338</u>	<u>280,699</u>
	<u>3,805,122</u>	<u>3,807,835</u>
7. Commission and fees	2017	2016
Commitment fees	670,536	574,447
Commission	<u>611,417</u>	<u>558,312</u>
	<u>1,281,953</u>	<u>1,132,759</u>
8. Other operating income	2017	2016
Other income	36,898	37,685
Service charge	55,196	71,013
Sundry income	<u>208,366</u>	<u>99,061</u>
	<u>300,460</u>	<u>207,759</u>
9. Other operating costs	2017	2016
Staff related costs - note 9(a)	5,679,431	4,811,716
Depreciation	352,458	339,797
Directors fees	72,600	46,200
Audit fees	30,000	23,500
Donation	-	100,000
General and administrative expenses-note 9(b)	<u>3,817,910</u>	<u>3,383,829</u>
	<u>9,880,399</u>	<u>8,705,042</u>

The donation as stated in note 9 relates to payment towards Nankese Senior High School building as part of the Bank's corporate social responsibilities.

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December 2017****Notes and significant accounting policies (continued)***(All amounts are stated in Ghana cedi unless otherwise stated)*

9(a). Staff related cost	2017	2016
Salaries and wages	3,817,705	3,217,396
Staff social security	472,076	364,481
Staff provident fund	218,309	178,822
Staff training and development	47,221	62,808
Staff medical costs	41,330	53,538
Other staff allowances	<u>1,082,790</u>	<u>934,671</u>
	<u>5,679,431</u>	<u>4,811,716</u>
9(b) General and administrative expenses	2017	2016
Electricity & water	435,289	415,004
Board meeting expenses	249,818	274,461
Police guard expenses	294,448	284,161
Travelling expenses	437,210	390,153
Office expenses	92,964	96,240
Printing & stationery	234,956	196,362
Repairs & maintenance	120,959	84,182
Rent & rates	115,064	86,040
Telephone postage	54,219	47,857
Insurance expenses	137,360	125,812
Advertising & publicity	70,549	50,474
Shortage in till	225	251
Anniversary expenses	87,773	95,018
Vehicle running expenses	582,447	537,120
Entertainment/protocol expenses	127,850	111,569
Specie expenses	24,400	27,456
Annual subscription	29,593	33,700
Computerisation	213,897	210,013
Cheque clearing expenses	23,308	6,370
Generating plant	34,600	45,459
Bad debt written off	-	10,214
Donations	58,390	80,845
Legal expenses	37,175	26,857
Audit expenses	10,920	9,647
Other expenses	178,484	
Business promotion	<u>94,012</u>	<u>138,564</u>
	<u>3,745,910</u>	<u>3,383,829</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

10. Taxation⁴

	Balance at 1/1/2017	Charge for the Year	Adjustment	Payments	Balance at 31/12/2017
2014	45,905	-	26,744	(26,744)	45,905
2015	(19,442)	-	47,706	(47,706)	(19,442)
2016	146,112		89,987	(232,057)	4,042
2017	<u>-</u>	<u>776,020</u>	<u>-</u>	<u>(537,500)</u>	<u>238,520</u>
	<u>172,575</u>	<u>776,020</u>	<u>164,437</u>	<u>(844,007)</u>	<u>269,025</u>

The above tax position is subject to the agreement of the domestic tax division of the Ghana Revenue Authority.

(b) Charge to income statement

	2017	2016
Current income tax expense	776,020	797,825
Adjustment	164,437	-
Charge to income statement for deferred tax	<u>(3,955)</u>	<u>(30,505)</u>
Balance at year end	<u>936,502</u>	<u>767,320</u>

(c) Deferred tax

	2017	2016
Balance at year start	(26,379)	4,126
Charge to income statement	<u>(3,955)</u>	<u>(30,505)</u>
Balance at year end	<u>(30,334)</u>	<u>(26,379)</u>

11. Cash and bank balances

	2017	2016
Cash holdings	2,057,663	2,587,936
Bank (Note 28b)	2,998,494	1,303,104
5% Deposit-Apex (Note 13)	<u>2,674,385</u>	<u>2,304,039</u>
	<u>7,730,542</u>	<u>6,195,079</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

12. Short-term and trading investment	2017	2016
Treasury bills note	4,500,000	2,300,000
Fixed deposit with Non-Bank Financial Institution `	9,500,000	-
Government stock	<u>12,650,000</u>	<u>23,152,500</u>
	26,650,000	25,452,500
Unearned Interest	<u>(22,317)</u>	<u>(371,209)</u>
	26,627,683	25,081,291
Apex certificate of deposit (ACOD 7/30)	<u>1,200,000</u>	<u>2,300,000</u>
	<u>27,827,683</u>	<u>27,381,291</u>
13. ARB Apex Bank Deposit	2017	2016
At start of year	2,304,039	1,827,917
Net Investments during the Year	<u>370,346</u>	<u>476,122</u>
At year end	<u>2,674,385</u>	<u>2,304,039</u>
14. Investment in Subsidiary	2017	2016
SARB Service Limited	<u>1,800</u>	<u>1,800</u>
The SARB Service Limited is a subsidiary but as at 31 December, 2016, the Company is no more in existence except its net assets that procedures will be followed to liquidate the Company by appointing a liquidator.		
15. Loans and advances	2017	2016
(a) Analysed by type of facility		
Overdrafts	7,417,717	5,970,661
Loans	<u>21,062,749</u>	<u>18,148,403</u>
	28,480,466	24,119,064
Less: provision for credit losses	<u>(674,998)</u>	<u>(503,911)</u>
	<u>27,805,468</u>	<u>23,615,153</u>
Non-performing loans included in the loan and advances	<u>1,089,688</u>	<u>760,163</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

15. Loans and Advances (continued)	2017	2016
(b) Analysed by type of customer	2017	2016
Individuals	15,641,706	12,810,206
Private institutions	4,295,220	4,142,446
Others	<u>8,543,540</u>	<u>7,166,412</u>
	28,480,466	24,119,064
Less provision for credit losses	<u>(674,998)</u>	<u>(503,911)</u>
	<u>27,805,468</u>	<u>23,615,153</u>
Non-performing loans included in the loan and advances	<u>1,089,688</u>	<u>760,163</u>
(c) Sectorial report		
Loans		
Agriculture	404,240	438,611
Cottage industry	322,438	220,871
Transport	4,050,366	3,046,303
Commerce	6,760,369	6,375,482
Others (Microfinance)	<u>9,525,336</u>	<u>8,067,136</u>
	<u>21,062,749</u>	<u>18,148,403</u>
Overdrafts		
Transport	-	645,622
Commerce	6,266,912	4,225,861
Others	<u>1,150,805</u>	<u>1,099,178</u>
	<u>7,417,717</u>	<u>5,970,661</u>
Total loans and over draft	28,480,466	24,119,064
Less provision for credit losses	<u>(674,998)</u>	<u>(503,911)</u>
	<u>27,805,468</u>	<u>23,615,153</u>
Non-performing loans included in the loan and advances	<u>1,089,688</u>	<u>760,163</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

	2017	2016
(d) Relevant Statistics		
(i) Credit loss provision ratio	0.01%	0.01%
(ii) Cumulative credit loss provision ratio	2.32%	2.09%
(iii) Twenty largest exposure to total exposure	20.62%	22.12%
16. Equity Investments	2017	2016
Quoted shares		
Societe Generale Ghana	6,560	160
GCB Bank Limited	25,250	374
C.P.C	<u>320</u>	<u>1,000</u>
	<u>32,130</u>	<u>1,534</u>
Unquoted shares		
ARB Apex Bank Ltd	<u>164,808</u>	<u>164,808</u>
	<u>196,938</u>	<u>166,342</u>
17. Other Assets	2017	2016
E-zwitch	32,081	91,674
Office accounts	334,086	23,336
Insurance prepaid	98,073	93,028
Stationery stock	280,840	246,394
Rent prepaid	302,083	223,907
CDH-Discout house	-	14,785
Others	147,536	-
Work-in-progress	305,079	-
Mitigating ARB Apex	60,382	62,173
Interest in arrears	806,502	651,664
Interest and commission accrued	<u>1,725,030</u>	<u>461,298</u>
	<u>4,091,692</u>	<u>1,868,259</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

18a. Property, plant and equipment- 2017

	1 January Cost/valuation	Additions	Disposals/	31 December
Land & Building	1,126,112	-	-	1,126,112
Office Equipment	439,763	39,481	-	479,244
Plant & Machinery	213,114	-	-	213,114
Motor Vehicle	884,053	-	-	884,053
Computer & Accessories	465,051	83,454	-	548,505
Furniture & Fittings	<u>629,706</u>	<u>16,162</u>	-	<u>645,868</u>
	<u>3,757,799</u>	<u>139,097</u>	-	<u>3,896,896</u>

Accumulated Depreciation	1 January	Charge for the year	Disposals	31 December
Land & Building	172,879	56,306	-	229,185
Office Equipment	324,965	64,583	-	389,548
Plant & Machinery	148,207	21,082	-	169,289
Motor Vehicle	755,058	67,381	-	822,439
Computer & Accessories	388,149	57,264	-	445,413
Furniture & Fittings	<u>380,952</u>	<u>85,843</u>	-	<u>380,952</u>
	<u>2,170,210</u>	<u>352,459</u>	-	<u>2,522,669</u>

Carrying values:

31 December, 2017

1,374,227

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

18b. Property, plant and equipment- 2016

	1 January Cost/valuation	Additions	Disposals/	31 December
Land & Building	1,126,112	-	-	1,126,112
Office Equipment	399,516	40,247	-	439,763
Plant & Machinery	128,787	84,327	-	213,114
Motor Vehicle	687,776	196,277	-	884,053
Computer & Accessories	435,923	29,128	-	465,051
Furniture & Fittings	<u>498,909</u>	<u>130,796</u>	-	<u>629,705</u>
	<u>3,277,043</u>	<u>480,775</u>	-	<u>3,757,798</u>

Accumulated Depreciation	1 January	Charge for the year	Disposals	31 December
Land & Building	116,574	56,305	-	172,879
Office Equipment	270,209	54,756	-	324,965
Plant & Machinery	127,125	21,082	-	148,207
Motor Vehicle	677,657	77,401	-	755,058
Computer & Accessories	341,249	46,900	-	388,149
Furniture & Fittings	<u>297,599</u>	<u>83,353</u>	-	<u>380,952</u>
	<u>1,830,413</u>	<u>339,797</u>	-	<u>2,170,210</u>

Carrying values:

31 December, 2016

1,587,588

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

Final draft — Confidential

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

19. Stated Capital

	2017		2016	
	Number	Proceeds	Number	Proceeds
Authorised				
Authorised ordinary shares	<u>100,000,000</u>	-	<u>100,000,000</u>	-
Issued Ordinary Shares for:				
Cash and other than cash	62,407,519	2,027,348	60,792,814	1,669,314
Correction to agree to CSD number of shares:	<u>68,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
	62,475,802	2,027,348	60,792,814	1,669,314
Transfer from Retained Earnings		239,000	-	200,000
Additions during the year for cash	<u>1,403,324</u>	<u>140,332</u>	<u>1,614,705</u>	<u>158,034</u>
At year end	<u>63,879,126</u>	<u>2,406,680</u>	<u>62,407,519</u>	<u>2,027,348</u>

The total additions of shares is issued for cash is yet to be registered with the Registrar General's departments.

20. Development fund

	2017	2016
At start of year	2,625,795	1,825,795
Transfer from retained earnings	<u>400,000</u>	<u>800,000</u>
At year end	<u>3,025,795</u>	<u>2,625,795</u>

21. Statutory Reserve Fund

	2017	2016
At start of year	1,556,836	1,264,056
Transferred from Retained earnings	<u>585,961</u>	<u>292,780</u>
At year end	<u>2,142,797</u>	<u>1,556,836</u>

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

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

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December 2017****Notes and significant accounting policies (continued)***(All amounts are expressed in Ghana Cedi unless otherwise stated)***21. 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.

22. Customer Deposits	2017	2016
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(a) Analysed by type of accounts

Time deposits	18,634,681	16,817,790
Current account	6,971,554	5,967,821
Susu	7,527,914	6,314,103
Savings accounts	<u>21,758,819</u>	<u>18,985,537</u>
	<u>54,892,968</u>	<u>48,085,251</u>

(b) Analysed by Type of Customers	2017	2016
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Susu	7,527,914	6,314,103
Government agencies and department	2,513,445	2,450,151
Private Enterprise	3,547,078	4,179,317
Individual	<u>41,304,531</u>	<u>35,141,680</u>
	<u>54,892,968</u>	<u>48,085,251</u>

23. Borrowings	2017	2016
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ARB Apex Bank	<u>730,481</u>	<u>1,446,056</u>
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In June 2014, the Bank borrowed an amount of GH¢ 1,311,900 from ARB Apex Bank Limited at an interest rate of 15% and expiring in September 2018 to be used to on-lend beneficiaries of the Rural Bank Wholesale Fund (RWF).

The Bank again borrowed an amount of GH¢ 1,550,400 in December 2014 from ARB Apex Bank Limited at an interest rate of 15% and expiring in March 2019 to be used to support its clients with long term loans in their various investment activities

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

24. Payables and accruals	2017	2016
Accrued interest	475,812	502,318
Bills payable	427,825	399,000
Audit fees	15,000	23,500
Police guard	114,700	71,500
Office accounts	240,857	222,678
Unassigned balance	22,373	-
Ezwich	<u>71,207</u>	<u>154,182</u>
	<u>1,367,774</u>	<u>1,373,178</u>

24a. Dividend payable	2017	2016
At start of year	646,625	1,111,660
Dividend declared at AGM	624,075	607,288
Payments	<u>(484,975)</u>	<u>(1,072,323)</u>
At close of year	<u>785,725</u>	<u>646,625</u>

25. Capital adequacy	2017		2016	
	Required by BoG	Actual Achieved	Required by BoG	Actual Achieved
Capital adequacy ratio (CAR)	10%	20.24%	10%	24.37%

26. 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.

	2017	2016
Profit Attributable to Ordinary Shareholders	<u>2,375,119</u>	<u>2,342,241</u>
Weighted Average Number of Ordinary Shares	<u>63,595,295</u>	<u>62,407,519</u>
Basic Earnings per Shares (in Ghana Pesewa)	0.037	0.038

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

27. Provision for credit losses	2017	2016
At year start	503,911	507,342
Less debts written off	(<u> - </u>)	<u>(131,021)</u>
	503,911	376,321
Increase/(decrease) provision for the year	<u>171,087</u>	<u>127,590</u>
At year end	<u>674,998</u>	<u>503,911</u>

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	2017	2016
Current	1%	267,766	213,143
Other loans especially mentioned (OLEM)	10%	28,403	20,175
Sub-standard	25%	92,635	56,012
Doubtful	50%	149,308	119,786
Loss	100%	<u>136,886</u>	<u>94,795</u>
		<u>674,998</u>	<u>503,911</u>

28. Cash and Cash Equivalents	2017	2016
Cash holdings	2,057,663	2,587,936
Bank (Note 28b)	2,998,494	1,303,104
5% Deposit-Apex (Note 13)	2,674,385	2,304,039
Short term investment	<u>1,200,000</u>	<u>2,300,000</u>
	<u>8,930,542</u>	<u>8,495,079</u>

28(b). Bank Balance	2017	2016
Apex Bank	2,608,155	1,141,149
Other banks	<u>390,339</u>	<u>161,955</u>
	<u>2,998,494</u>	<u>1,303,104</u>

29. Capital commitments

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

There were no outstanding capital commitments at 31 December 2017 (2016: Nil).

30. Contingencies

There were no contingent assets or liabilities not provided for at 31 December 2017 (2016: Nil).

31. Legal proceeds

There were no legal proceedings against the Bank at the reporting date (2016: Nil).

32. Related party transactions

a. Key management personnel

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

Mr. Festus Ofosu Kwame-Mensah	General Manager
Mr. Forson Temeng	Head of Operation
Mr. Mr. Stephen Yamoah Nteful	Head of Credit
Mr. Theophilus Okunka Bruce Llewellyn	Head of Human Resource
Mr. Felicity Baah	Head of Micro-Finance
Richard Kpodji	Head of Marketing
Mr. Mark Ayeh	Risk Officer
Mr. Andrews Tetteh	Audit Manager
Ms. Dzighbordzi Gadotor	Ag. Audit/Compliance Officer

b. Transactions with Key Management Personnel

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

	2017	2016
Directors Emoluments	72,600	46,200
Salaries and other benefits to senior management	404,892	323,914

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

Notes and significant accounting policies (continued)

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

32. Related party transactions (continued)

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

Details	At start of year	Addition	Payments	At year end
Directors	192,981	150,000	(62,077)	280,904
Firms that Directors have interest	686,865	-	(130,828)	556,037
Senior management staff	1,394,617	181,200	(226,579)	1,349,238

c. All Directors and key management staff have interest in shares at year end and detailed out in note 34.

34. Shareholding Structure

(i) Number of Shares Outstanding

Earnings and dividend per share are based on **63,879,126** (2016: 62,407,519) Ordinary Shares Outstanding.

(ii) Directors Shareholding:

The total number of shares held by the Directors of the Bank at the reporting date represented 9.03% of total number of shares outstanding then. Below is the details

Directors' shareholding as at 31 December 2017

	Names of Director	No. of Shares	Percentage of Issued Capital
1.	William Agyenim-Boateng	1,429,503	2.24
2.	Joseph Sarpong	1,295,963	2.03
3.	Emmanuel Christian Asante-Akufo	916,668	1.44
4.	Nana Kwaku-Addo II	611,121	0.96
5.	Daniel Ohene Kwaku Owusu	520,980	0.82
6.	Elizabeth Afriyie Fianko (Mrs.)	346,359	0.54
7.	Stephenson Samuel Ayeh	227,858	0.36
8.	Dr. Mark Boadu	250,016	0.39
9.	Michael Addo Amoah	112,846	0.18
10.	Dr. Edward Kwapong	<u>47,290</u>	<u>0.07</u>
		<u>5,758,604</u>	<u>9.03</u>

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2017

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 2017

	Names of Staff	No. of Shares	Percentage of Issued Capital
1.	Mr. Festus Ofosu Kwame-Mensah	514,042	0.80
2.	Mr. Forson Temeng	251,804	0.39
3.	Mr. Stephen Yamoah Nteful	101,064	0.16
4.	Felicity Baah	134,756	0.21
5.	L.T Okunka Bruce	30,533	0.05
6.	Richard Kpodji	35,500	0.06
7.	Mark Anim Ayeh	24,948	0.04
8.	Dzigbordzi Gadotor	<u>79085</u>	<u>0.12</u>
		<u>1,171,732</u>	<u>1.83</u>

(iv) Number of Shareholders

The Bank had 5,950 Ordinary Shareholders as at 31 December 2017 distributed as follows:-

Holding Agency	No. of Members	Total Holding	% Holding
Nankese	2,621	21,517,342	33.68
Suhum	1,504	18,772,841	29.39
Koforidua	582	7,048,943	11.03
Asamankese	811	10,312,651	16.14
Adoagyiri	156	5,003,750	8.30
Osenase	223	787,375	1.24
Adweso	<u>50</u>	<u>139,224</u>	<u>0.22</u>
	<u>5,950</u>	<u>63,879,126</u>	<u>100%</u>