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CORPORATE INFORMATION FOR THE ENDED 31ST DECEMBER, 2021

Corporate information for the year ended 31 December, 2021

Board of Directors

Mr. William Kwadwo Boateng	Chairman
Dr. Edward Kwapong	Vice chairman….Appointed……….. 28/08/21
Mr. Daniel Ohene Kwaku Owusu	Vice Chairman….Term ended……….28/08/21
Mr. Michael Addo Amoah	Member……………..Term ended…....28/08/21
Mr. Stephenson Samuel Ayeh	Member
Mrs. Elizabeth Afriyie Fianko	Member
Mr. Joseph Sarpong	Member
Dr. Mark Boadu	Member

Secretary

Mr. Forson Temeng

Solicitors

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

Principal place of business

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

Registered office

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

Company registration number

CS293192018

Taxpayer's identification number

C000690453X

Independent auditors

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

Banker:

ARB Apex Bank Limited

Agencies:

Nankese, Suhum, Koforidua,
Asamankese, Adoagyiri,
Osenase, Adweso and Kade

TOP MANAGEMENT

Mr. Forson Temeng	–	Secretary/Chief Executive Officer
Mr. Stephen Yamoah Nteful	–	Head of Operations
Mr. Richard Kpodji	–	Head of Marketing
Mr. Llewellyn Theophilus Okunka Bruce	–	Head of Human Resource
Mrs. Felicity Baah	–	Head of Credit
Ms. Dzigbordzi Gadotor	–	Head of Risk and Compliance
Mr. Mark Anim Ayeh	–	Head of Audit
Mr. Shani Mahama	–	Head of Micro Finance
Mr. Edward Lartey	–	Deputy Operations Manager

AGENCY MANAGERS

Mr. Mohammed M. Zakaria	–	Manager, Nankese
Mrs. Linda Boateng	–	Manager, Suhum
Ms. Priscilla Anamoah	–	Manager, Koforidua
Mr. Samuel Adu	–	Manager, Asamankese
Ms. Esther Mensah	–	Manager, Adoagyiri
Mr. Solomon Ofei Asante	–	Manager, Osenase
Theophillia Adjepong (Mrs.)	–	Manager, Adweso
Mr. Fred Ofori Anim	–	Manager, Kade

37TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 37th Annual General Meeting of Shareholders of the **SOUTH AKIM RURAL BANK PLC** will take place on 24th September, 2022 at The Methodist Church, Nankese at 10.00 am prompt.

Agenda

1. Reading of Notice Convening the Meeting
2. To receive and consider the Accounts for the year ending 31st December, 2021, Directors' and Auditor's Report.
3. Declaration of dividend
4. To Authorize Directors to Fix Remuneration of Auditors.
5. Election of Directors
6. Determination of Remuneration of Directors
7. To Transact any other Business appropriate to dealt with at AGM

NB: All Shareholders who have not received their Financial Statements for the year ended 31st December, 2021 may call at the various Agencies of the Bank (i.e. Nankese, Suhum, Koforidua, Asamankese, Adoagyiri, Osenase, Adweso and Kade

By order of the Board.

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SOUTH AKIM RURAL BANK PLC, NANKESE, MR. WILLIAM KWADWO BOATENG, AT THE 37TH ANNUAL GENERAL MEETING OF SHAREHOLDERS ON SATURDAY, 24TH SEPTEMBER, 2022

1. INTRODUCTION

Nananom, Distinguished Guests, Fellow Directors and Shareholders, Media Houses present, Management and Staff of our cherished Bank, Ladies and Gentlemen, it has always been heartwarming for me to welcome all of you to the Annual General Meetings of South Akim Rural Bank Ltd. (SARB) more especially this 37th edition.

Please be reminded that, though the President of Ghana has lifted the banned on gathering and strict observation of the Covid-19 protocols, I urge you to continue to observe and guard yourself by the agreed protocols due to recent reports about the rise of the pandemic. It is just simple, mask up, wash your hands, and keep the social distance among others to stay well.

With the greatest of humility, I entreat each of you present to contribute to the issues and hope we engage in a fruitful discussion of the day's agenda beneficial in the interest of the Bank.

In view of that, I present in all sincerity the operational performance and challenges of the Bank ending the year 31st December 2021, as well as to inform you about steps taken in addressing them.

Foremost, be assured that our Bank is Strong and the astute handlers are sustaining that position into the future.

2. ECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

a) THE GLOBAL ENVIRONMENT

On the global front and per the Bank of Ghana Monetary Policy Report, 31st January 2022, 'global financial conditions began tightening in the second half of 2021 and this is expected to tighten further in 2022.

The expectation of higher policy rates by major central banks has driven up long term bond yields. Spreads on sovereign bonds have widened, especially for Emerging Markets (EMs) and frontier economies with weak fundamentals. Additionally, capital flows to EMs and developing economies have become volatile due to expectations about higher US interest rates and strengthening of the US dollar.

b) THE GHANA ENVIRONMENT

With respect to Ghana's economy, the year ended with no change in the Bank of Ghana's Policy Rate of 14.5% as against same in 2020, while GDP Growth Rate was estimated to have reached 4.1% after rebounding from the Covid-19 pandemic in 2021 as compared with 0.08% during the pandemic era in 2020.

Ghana's inflation ended the year at 12.7% as against 9.9% in 2020, with the Cedi experiencing some stability as a result of slowdown on importation of goods as well as closure of the Country's land borders due to the Covid-19 pandemic. Prices of fuel average 36.46% between January to November 2021 which slightly affected the provision of goods and services over the period.

c) THE GHANAIAN BANKING INDUSTRY

Developments on Ghana's banking front as reported in the Central Bank's sector report in January 2022, witnessed growth in Assets, Deposit and Investment. Total assets grew by 20.4% to end the year in December 2021 at GHc179.8 billion whilst Asset quality which determines the survival of the banks improved as non-performing loans ease from 17.3% entering the third quarter to end the year at 15.2%.

Net earnings from the sector grew from as low as 5.0% the previous year to close the year under review at GHc2.90 billion representing 24.8

percentage growth. However, cost of operations increased from 8.2% in 2020 financial to 14.2% in 2021 in view of COVID related expenditure.

On the money market, the interbank trade average rate dropped from 13.56% in 2020 to 12.68% in 2021, which equally affected the average lending rates of retail banking from 21.20% in 2020 to 20.04% in 2021.

The impact of these economic indicators brought about a mix trend in the performance of the year under review.

These operational dynamics created a competitive market place for banks especially the rural and community banks to assert their survival.

However, this did not limit us from adapting to the varied economic and financial turbulence to prudently steer the Bank to a successful and profitable year.

3. SUMMARY OF THE BANK'S PERFORMANCE, 2020 – 2021

As stated earlier, prudent management and adaptation to the economic shocks over the period led to a significant achievement of the targets set out in the budget for the period.

Key among the financial indicators resulting in the overall performance were deposits, investment and loan disbursement. The achievement was made possible on the backbone of our cherished customers who trusted and continue to do business with us during the period under review. We remain grateful to them, as well as Management and staff.

Last year at the 36th AGM, we promised to sustain and improve upon the Bank's performance and to ascertain the achievement, we present a comparative position as indicated in the table below the rates of growth as a proof of effort made at honouring that promise.

YEAR	2021 (GH¢)	2020 (GH¢)	(% CHANGE)
DEPOSIT	92,214,537.00	83,743,271.00	10.12
INVESTMENT	53,511,649.00	48,811,959.00	9.63
LOANS (NET)	36,950,862.00	34,798,097.00	6.19
TOTAL ASSETS	107,566,022.00	100,399,041.00	7.14
PROFIT BEFORE TAX	2,437,704.00	1,707,855.00	42.73
NET PROFIT AFTER TAX	1,755,715.00	918,351.00	91.18
STATED CAPITAL	3,487,878.00	3,449,021.00	1.13
SHAREHOLDERS FUNDS	9,974,899.00	11,450,218.00	-12.88
DIVIDEND PROPOSED PER SHARE	0.009	-	-
TOTAL DIVIDEND PROPOSED	730,365.31	-	-
PERCENTAGE OF DIVIDEND TO DISTRIBUTABLE PROFITS	41.60%	-	41.60
TOTAL TAX PAID	681,989.00	789,504.00	-13.62

Table 1

By following best financial management practices, we were able to grow the Bank's deposits by 10.12%, that is from GH¢83.7m in 2020 to GH¢92.2m in 2021. Similarly, investment increased by 9.63%, from GH¢48.8m in 2020 to GH¢53.5m in 2021. The Bank's total assets also saw a rise of 7.14%, from GH¢100.4m in 2020 to GH¢107.6m in 2021.
As obviously stated in the table above, our Profit before tax rose from GH¢1.7m in 2020 to an appreciable amount of GH¢2.4m in 2021, representing 42.73%.
Fellow Shareholders, notwithstanding the appreciable increases achieved across the various indicators, our Stated Capital was sluggish among the indicators, from GH¢3.44m in 2020 to GH¢3.48m in 2021. Although this amount is in excess of 200% above the Regulator's requirement of GH¢1.0m, we need to increase the purchase of shares in order to further improve upon the stated Capital towards unanticipated increase by the Bank of Ghana.
Lastly, under loans and advances of the Bank saw a rise from 2.8% in 2020 to 6.2% in 2021, that is GH¢34.8m to GH¢36.9m respectively.

4. PROPOSED DIVIDEND

Distinguished Shareholders, after numerous appeal to the Bank of Ghana and following assessment of our performance, I am thrilled to inform you that, the Bank of Ghana has reconsidered its position to allow Dividend to be paid to Shareholders for the 2021 financial year.
In view of that and as promised, we have proposed for your consideration the declaration and payment of Dividend to Shareholders.

5. ELECTION OF DIRECTORS

Based on the Bank of Ghana's Corporate Governance Directives 2021, on Rural and Community Banks we are currently operating a maximum Board of Directors' size of seven (7).
In view of that, elections have been held to replace retired and retiring Directors at Nankese, Suhum, Asamankese and Adoagyiri Areas.
In the case of Suhum and Adoagyiri Areas, the Bank of Ghana objected the elected directors in 2021 which called for new elections for this year.
The Electoral Commission would announce Directors elect across the four (4) Areas for your approval and subject to the Bank of Ghana's no objection rule before their acceptance onto the Board.
Pending the Bank of Ghana's no objection, the Board would provisionally work with only three (3) Directors until approval processes are completed.

6. NEW DEVELOPMENTS

- **<u>Nankeseman TVET Institute</u>**

  Distinguished Shareholders, be informed that the proposed Nankeseman Senior High School structure has been completed and formally handed over to the Board.
  Due to the Government policy on Free Senior High School Programme, it has been challenging to use the structure for the intended purpose. In addition, all effort to get the Ghana Education Service through the Municipal Education Directorate, Suhum to absorb the School has not been fruitful over the years.
  On that note and upon the Municipal Chief Executive's advise, the Board is considering a proposal from Splash Institute of Technology to alternatively use the School for TVET programmes. This is equally within the Government's agenda to roll out more TVET Institution across the Nation.
  As at the reporting date, a Committee has been put in place to liaise with the Municipal Chief Executive, Suhum Municipality as well as the Splash Institute of Technology to commence the TVET programme.
  From the discussion so far, the initial plan of the Institute is to enroll the youth of Nankeseman and its neighbouring communities and train them to become self-employed artisans. We hope to update you on further development in the future.

7. CORPORATE SOCIAL RESPONSIBILITY

As a commitment to our host communities and operational zones, the Bank would continuously provide support for Corporate Social Responsibility to improve the welfare of our communities. Our contribution would focus on social needs, education, and health as well as state agencies/institutions among others. During the 2021 financial year, an amount of GH¢77,394.00, was disbursed in meeting needs of our communities in the aforementioned areas.

8. FUTURE STRATEGIES

The Bank is not losing sight of the future as it tries to meet and solve immediate needs of shareholders and stakeholders in the performance of its operation.
As a result, we would focus our effort at the following strategic areas for maximum returns for our Bank.

i. Collaborate with Star Assurance to sell Bancassurance product to our customers and potential ones to earn the needed commissions.
ii. Persistent training and career development of our staff and Management as well as required training for Directors to enable them to work within the continuous innovating Fintech work environment.
iii. Provide competitive and tailor products to meet customers' needs and means at all times.
iv. Engagement is still under way to provide the Nankese Agency and the Head Office building with the required facelift to meet modern architectural design works.

9. CONCLUSION

Nananom, Distinguished Guests, Fellow Shareholders and Directors, Media Houses here present, Management and Staff of our Bank, Ladies and Gentlemen, I am grateful for making time off your busy schedules to come and celebrate the achievement of our Bank.
We were once the future generation our forbearers thought about and commenced the operations of this Bank, together we have become of age, therefore I entreat each and every shareholder to also think about the future generation after us.
On that note, I encourage each one of us to buy more shares and entreat others to also do same to sustain the future of this Bank.
On behalf of the Board, Management and Staff, I salute you all for your patience, thought, decisions and unwavering support for the growth of South Akim Rural Bank Ltd.

Long Live South Akim Rural Bank Ltd, long live the rural banking industry and God bless Ghana.
Thank you all.

....

WILLIAM KWADWO BOATENG
Chairman

REPORT OF THE DIRECTORS

In accordance with the requirement of section 136 of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we present our report together with the audited financial statements for the year ended 31 December 2021, 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.

	2021	2020
Total income	**20,428,844**	**17,857,399**
Profit before tax for the year	2,437,704	1,707,855
from which is deducted income tax expense of	(681,989)	(789,504)
giving profit after tax of	1,755,715	918,351
to which is added balance on adjusted retained earnings account brought forward of	1,803,762	1,414,999
leaving a balance before statutory and other transfers of	3,559,477	2,333,350
From which the following transfers were made:		
Transfer to statutory reserve	(438,929)	(229,588)
Transfer to stated capital	-	-
Transfer to dividend account	-	-
Transfer to development fund account	-	(300,000)
Prior year adjustment	(915,716)	-------------
Retained earnings at year end	**2,204,832**	**1,803,762**

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

Approval of financial information

The financial information for the year set out on pages 22 to 59 which have been prepared on a going concern basis, were approved by the Board of Directors on 28th April,2022 and are signed on their behalf

By the order of the Board:

....	....
WILLIAM KWADWO BOATENG	**Dr Edward Kwapong**
Chairman	Vice Chairman

Dated at Nankese this ....28.......... day of ....April.......... 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH AKIM RURAL BANK PLC.

Report on the audited financial statements

Opinion

In our opinion, the Bank has kept proper accounting records and the financial statements are in agreement with the records in all material respects and report in the prescribed manner, information required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2021, and of its financial performance and statement of cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the Institute Chartered Accountants Ghana (ICAG).

What we have audited

We have audited the accompanying financial statements of the South Akim Rural Bank PLC for the year ended 31 December, 2021.

The financial statements comprise:

- statement of comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2021;
- 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.

Report on the audited financial statements (continued)

Independence

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

Going concern

The financial statements of the Bank have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate.
Management has not identified a material uncertainty that may cast significance doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Bank. Based on our audit of the financial statements of the Bank, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Bank's ability to continue as going concern.

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

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of loans and advances Impairment of loans and advances to customers is a key audit matter due to the complexity and subjectivity over estimating the amount of impairment.	We focused our attention on an accurate computation of the non-performing loans ratio. Our audit procedures included:
Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that impairment exists on an individual basis, loans are assessed collectively for impairment. The estimation of the impairment loss allowance on an individual basis also requires management to make assumptions about the financial conditions of the borrower, expected future cash flows of the borrower and the amount recoverable from any collateral pledged.	We assessed and tested the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers We also assessed and tested the design and operating effectiveness of controls over the bank's loan impairment process regarding management's review process over impairment calculations. We further examined a sample of performing loans to evaluate if any indicators of impairment existed to test the completeness of individual impairment provisions.
The collective impairment loss allowance relates to losses incurred but not yet identified on other loans and advances. The two key judgments in the collective impairment assessments are the likelihood of default and the emergence period; and it is the latter which is the single most critical judgment, as there is limited historic data on which to accurately assess it and therefore, the most sensitive to adjustment. Accordingly, impairment of the Bank's loan and advances portfolio is considered to be a key audit matter. Impairment about changes in estimates occurring during the period and its sensitivity to key assumptions.	From our substantive procedures, we validated the year end impairment figures by re-performing calculations and agreeing our figures with what was by the Bank client, for the sample we took.

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.

Responsibilities of Directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- 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 state ments, 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 ent ities 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 al so required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

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

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

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

Report on the audited financial statements (continued)

Banking Act

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

1. The accounts give a true and fair view of the state of affairs of the Bank and its results of operations for the year under review;
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
3. The Bank's transactions were within its powers;
4. In our opinion, the Bank has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) repealed and replaced by Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and the regulations enactments; and
5. The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

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

UHY Voscon

For and on behalf of:

UHY Voscon (ICAG/F/2022/086)
Chartered Accountants
P.O. Box LA 476, La, Accra
2nd Floor, Cocoshe House
Opposite Silver Star Tower
Agostinho Neto Close,
Airport Residential Area
Accra – Ghana.
E: info@uhyvoscon-gh.com
W: www.uhyvoscon-gh.com
G.A-057-1475

Date:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

Statement of comprehensive income
(All amounts are stated in Ghana cedi unless otherwise stated)

		for the year ended 31 December	
	Notes	**2021**	**2020**
Interest income	7	18,489,465	15,723,499
Interest expense	8	(3,694,611)	(3,407,255)
Net interest income		**14,794,854**	**12,316,244**
Commissions and fees	9	1,383,602	1,384,667
Other operating income	10	555,777	749,232
Total operating income		**16,734,233**	**14,450,143**
Impairment of loan	10.1	(997,191)	(711,665)
Other operating costs	11	(13,299,338)	(12,030,623)
Profit before taxation		**2,437,704**	**1,707,855**
Taxation	12b	(681,989)	(789,504)
Profit after taxation		**1,755,715**	**918,351**
Other comprehensive income		-	-
Total comprehensive income attributable to the Shareholders		**1,755,715**	**918,351**

The notes on pages 22 to 59 are integral part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

Statement of financial position

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

		as at 31 December	
	Notes	**2021**	**2020**
Cash and cash equivalents	13	12,053,987	9,997,097
Short term investment	14	7,000,000	10,500,000
Trading investments	15	46,511,649	38,311,959
Investment in subsidiary	17	1,800	1,800
Loans and advances to customers	18	36,950,862	34,798,276
Equity investments	19	200,928	193,048
Other assets	20	2,342,313	4,514,151
Prepayments	21	588,898	470,168
Deferred tax asset	12c	123,418	53,208
Property, plant and equipment	22	1,485,796	1,222,411
Intangible assets	23	306,371	336,923
Total assets		**107,566,022**	**100,399,041**
Liabilities and equity			
Liabilities			
Customer deposits	24	92,214,537	83,743,271
Long term liabilities	25	1,058,018	1,253,123
Payables and accruals	26	3,204,487	2,725,515
Dividend payable	27	1,103,959	1,118,991
Taxation	12a	10,122	107,923
Total liabilities		**97,591,123**	**88,948,823**
Equity			
Stated capital	28	3,487,878	3,449,021
Retained earnings		2,204,832	1,803,762
Statutory reserve fund	30	3,509,707	3,070,778
Capital reserve		130,204	122,324
Development fund	29	553,272	3,009,417
Deposit for shares		89,006	41,221
Credit risk reserve		-	(46,305)
Total equity		**9,972,899**	**11,450,218**
Total liabilities and equity		**107,566,022**	**100,399,041**

By the order of the Board:

....	....
WILLIAM KWADWO BOATENG	**Dr Edward Kwapong**
Chairman	Vice Chairman

Statement of changes in equity

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

For the year 31 December 2021

	Stated Capital	Retained Earnings	Capital Surplus	Develop't Fund	Credit Risk	Statutory Reserve Fund	D'sit For Shares	Total
At year start	3,449,021	1,803,762	122,324	3,009,417	(46,305)	3,070,778	41,221	11,450,218
Prior year adjustment (IA)	-	(915,716)	-	(2,000,000)	46,305	-	-	(2,869,411)
Reinstatement balance	**3,449,021**	**888,046**	**122,324**	**1,009,417**	**-**	**3,070,778**	**41,221**	**8,580,807**
Deposit for shares	-	-	-	-	-	-	86,642	86,642
Transfer from deposit for shares	38,857	-	-	-	-	-	(38,857)	-
Profit for the year	-	1,755,715	-	-	-	-	-	1,755,715
Transfer to statutory reserve		(438,929)	-	-	-	438,929	-	-
Revaluation gain-equity investment	-	-	7,880	-	-	-	-	7,880
Dev't utilized	-	-	-	(456,145)	-	-	-	(456,145)
Transfer to development fund	-	-	-	-	-	-	-	-
At year end	**3,487,878**	**2,204,832**	**130,204**	**553,272**	**-**	**3,509,707**	**89,006**	**9,974,899**

The notes on pages 22 to 59 are integral part of these financial statements.

Statement of changes in equity

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

For the year 31 December 2020

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

Statement of cash flow

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

		for the ended 31 December	
	Notes	**2021**	**2020**
Cash generated from operations before taxation	38	**8,882,569**	**17,488,153**
Tax paid		(850,000)	(583,427)
Net cash generated from operating activities		**8,032,569**	**16,904,726**
Cash flows from investing activities:			
Purchase of property, property and equipment	22a.	(706,325)	(355,381)
Increase in Investment		(8,199,689)	(10,665,253)
Proceeds from sale of assets		9,975	-
Net cash used in investing activities		**(8,896,039)**	**(11,020,634)**
Cash flows from financing activities:			
Proceeds from issue of shares		86,642	36,527
Development fund		(456,148)	-
Loan payment/received		(195,103)	460,595
Dividend paid		(15,031)	(64,214)
Net Cash paid for Financing activities		**(579,640)**	**432,908**
Increase in cash and cash equivalent		**(1,443,110)**	**6,317,000**
Cash and cash equivalents at the beginning of the year		20,497,097	14,180,097
Cash and cash equivalents at the end of the year		**19,053,987**	**20,497,097**
Analysis of cash and cash equivalents:			
Cash and bank balances		12,053,987	9,997,097
Short term investment		7,000,000	10,500,000
At year end		**19,053,987**	**20,497,097**

The notes on pages 22 to 59 are integral part of these financial statements.

NOTES AND SIGNIFICANT ACCOUNTING POLICIES

Notes and significant accounting policies
(All amounts are stated in Ghana cedi unless otherwise stated)

Notes
1. Reporting entity

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

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

2. Summary of significant accounting policy

2.1 **Basis of preparation**

a. Statement of compliance

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

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

b) Basis of measurement

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

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

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

d) Use of estimates and judgements

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

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

2.2 Significant accounting policies

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

2.2.1 Revenue recognition

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

(a) Interest income

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

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

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

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

Notes and significant accounting policies (continued)
(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.

Notes and significant accounting policies (continued)
(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.

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.

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.3 Financial assets and liabilities (continued)

c) Offsetting

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

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 a ny 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 met hod, 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 rat e and currency swaps. For these financial instruments, inputs into models are market observable.

f) Identification and measurement of impairment

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

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

Notes and significant accounting policies (continued)
(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)

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

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

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

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

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

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with ARB Apex Bank Limited and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.
Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

Notes and significant accounting policies (continued)
(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.

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.

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.4 Provisions (continued)

(a) Provision for restructuring/reorganization

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

- There is a detailed formal plan that identifies the part of the business, location and employees who will be affected by the restructuring
- A valid expectation has been created to those who will be affected by the restructuring.

Provision for restructuring is made if a constructive obligation exists before the end of the financial year. However if the constructive obligation arises after year end, and the provision is material, the material effect is disclosed in the financial statements in accordance with IAS 10.

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

2.2.5 Employee benefits

Short term employment benefits

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

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

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

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

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

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.5 Employee benefits (continued)

A defined benefit plan is a pension plan that is not a defined contribution plan.
Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

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

(a) National pension scheme

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

(b) Provident fund

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

Termination benefits

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

2.2.6 Inventories

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

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

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.7 Impairments of assets and other financial assets

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

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

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

2.2.8 Share capital and equity

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

2.2.9 Related parties

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

2.2.10 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

Property, plant and equipment (continued)

- Land and Buildings	5% per annum
- Plant and Machinery	25% per annum
- Office Equipment	25% per annum
- Motor Vehicles	$33^1/_3$% per annum
- Computers and Accessories	25% per annum
- Furniture, Fittings and Structures	20% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asse t's fair value less costs to sell and value in use. No property and equipment were impaired as at 31 December 2019 (2018 December: nil).

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

2.2.11 Intangible assets

Intangible assets are initially recognized at cost.

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

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

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

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.11 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Company. Amortisation is not provided for these intangible assets but test for impairment.
For all other intangible assets, amortisation is provided on a straight line basis so as to write down the cost of the intangible assets, less their residual values, on the straight line basis over their useful lives

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

Intangible assets with indefinite useful lives are tested for impairment annually by determining the recoverable amount of the assets either individually or at the cash-generating unit level.
The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment is made prospectively.

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

Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is ten (10) years years. The only software acquired during the year was Temenos 24 (T24) which the software used by the Bank for their operations.

2.2.11 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.12 Standards/Amendments to standards issued that the Bank has not adopted for the reporting year
2.2.12.0 changes in accounting policies

There were no new standards adopted by the bank in the year 2021.

A number of other new standards are also effective from 1 January 2021 but they do not have a material effect on the Banks's financial statements.

The adoption of IFRS 16 Leases (2.1) did not impact the expenses and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying this standard is mainly attributed to making additional disclosures related to IFRS 16.

2.2.12.1 IFRS 16 Leases

Under IFRS 16, lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right- of-use asset.

The adoption of the standard did not impact the expenses and the related assets and liabilities recognised by the Bank.

3. Critical accounting estimates and judgments

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

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

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

(i) Fair value of financial instruments

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

(ii) Investment measured at amortised cost

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

(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**

This represents the cumulative amounts set aside as non-distributable reserve from annual profit after tax in accordance with Section 34 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The amount transferred ranges from 12 .5% to 50% of the net profit after tax, depending on the ratio of the current statutory reserve fund to stated capital.

(**b**) **Capital surplus/reserves**

The capital reserve account is a creation of law under Sections 70 and 71 of the Companies Act, 2019 (Act 992) and records gains or losses arising from the revaluation of assets of the Bank including its property, plant and equipment and quoted equity investment. The International Financial Reporting Standards (IFRS) require the evaluation at regular intervals of these property, plant and equipment. The Bank has therefore adopted a policy to evaluate its assets at regular intervals.

(c) Retained earnings

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

(d) Development fund reserve

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

3.3 Events after reporting date

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

3.4 Comparatives

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

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

4.0. Financial risk management

Introduction and overview

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

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

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

Risk management framework, objectives, policies, procedures and processes

Risk management framework

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

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The responsibilities of the Board of Directors include; setting out the overall risk appetite/tolerance limit, ensuring that the overall risk exposure is maintained at prudent levels and consistent with available capital.

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

4. 0. Financial risk management (continued)
(a) Credit risk (continued)

They also include ensuring that Management as well as individuals responsible for Risk Management possess sound expertise and knowledge to accomplish the risk management function and that appropriate policies and procedures for risk management are in place.

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

(a)Credit risk

Credit risk management

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

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

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

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

Managing problem loans

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

Provisioning for loans and advances

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

4. 0. Financial risk management (continued)

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

Credit risk rating	Days past	Minimum Provision (%) 2021	Minimum Provision (%) 2020
Current	Less than 30	1	1
OLEM	31-90	5	10
Sub-standard	91-180	25	25
Doubtful	181-360	50	50
Loss	Over 360	100	100

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

Product	Stage 1		Stage 2		Stage 3		Total	Total
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Agric	833,222	102,618	-	-	14,813	14,813	848,034	117,430
Cottage	3,042,910	35,620	136,546	6,699	267,980	160,718	3,447,436	203,038
Transport	373,923	94,174	-	-	499,147	324,445	873,069	418,620
Trading	19,628,454	168,406	264,988	12,012	3,535,193	1,419,357	23,428,635	1,599,775
Others	11,576,332	41,343	17,850	1,064	251,767	151,061	11,845,950	193,468
Total	**35,454,841**	**442,162**	**419,384**	**19,775**	**4,568,900**	**2,070,394**	**40,443,125**	**2,532,330**

Exposure to credit risk

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

	2021	2020
Cash & balances with banks	12,053,987	9,997,097
Financial assets held to maturity	53,511,649	48,811,959
Loans & advances	36,950,862	34,798,097
Other assets	2,342,313	4,514,151
Equity investment	200,928	193,048

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

4. 0. Financial risk management (continued)

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	2021	2020
Current	1%	334,085	271,697
Other loans especially mentioned (OLEM)	5%	7,345	97,034
Sub-standard	25%	181,403	190,554
Doubtful	50%	707,834	662,220
Loss	100%	1,546,420	970,246
		2,777,087	**2,191,751**

Management adopted IFRS 9 for reporting in 2018 and has put in a policy in assessing the individual loans and advances outstanding to fairly value such loans and advances. Management has considered a lot of factors before coming out with the fair values. At the reporting date, management has classified its loan and advances into stage 1, stage 2 and stage 3 loans and advances. Any change in the position of management based on IFRS 9 and the Bank of Ghana position is reported as credit risk reserve in the statement of changes in equity. As it is not practicable to treat the change in policy retrospectively, management decided to treat the change as a prospective change. Always the credit risk reserve must be positive.

Exposure to credit risk

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

Provision	
Stage 1 exposure	442,161
Stage 2 exposure	19,775
Stage 3 exposure	2,070,394
Total	**2,532,331**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

(b) Liquidity Risk

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

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

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

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

4. 0. Financial risk management (continued)

(b) Liquidity Risk (continued)

Maturities of financial assets and liabilities

At 31 December 2021	Up to 1 month	1 – 12 months	1 – 5 years	Non-interest bearing	Total
Financial assets					
Cash and bank balances	12,053,987	-	-	-	12,053,987
Trading investments	-	42,085,580	-	4,426,069	46,511,649
Loans and advances	36,274,441	676,421	-	-	36,950,862
Equity investments	-	-	200,928	-	200,928
Other assets	-	-	-	2,342,313	2,342,313
Total financial assets	**48,328,428**	**42,762,001**	**200,928**	**6,768,382**	**98,059,739**
Financial liabilities					
Customer deposits	11,730,833	80,483,704	-	-	92,214,537
Long term borrowing	-	-	1,058,018	-	1,058,018
Dividends payable	1,103,960	-	-	-	1,103,960
Accounts payable	-	-	-	3,204,487	3,204,487
Total financial liabilities	**12,834,793**	**80,483,704**	**1,058,018**	**3,204,487**	**97,581,002**
Total finance gap	**35,493,635**	**(37,721,703)**	**(857,090)**	**3,564,895**	**478,737**
At 31 December 2020					
Total financial assets	42,438,629	33,192,634	193,048	11,990,220	87,814,531
Total financial liabilities	11,219,988	73,642,274	1,253,123	2,725,515	88,840,900
Total finance gap	**31,218,641**	**(40,449,640)**	**(1,060,075)**	**9,264,705**	**(1,026,369)**

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

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

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

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

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

(e) Compliance and regulatory risk

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

(f) Legal risk

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

(g) Reputational risk

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

Financial risk management (continued)

(h) Capital risk management

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

5.1 Financial assets and financial liabilities

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

Financial assets	**Carrying amount**		**Fair Value**	
	31 Dec 2021	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Cash and balances with banks	12,053,987	9,997,097	12,053,987	9,997,097
Financial assets measured at amortised cost	55,025,300	49,044,948	53,511,649	48,811,959
Loans and advances measured at AC	40,443,126	37,709,216	36,950,862	34,798,097
Other asset accounts	2,342,313	4,514,151	2,342,313	4,514,151
Financial asset measured at fair value through				
Other comprehensive income	193,048	196,388	200,928	193,048
Financial liabilities				
Customer deposits	92,214,537	83,743,271	92,214,537	83,743,271
Term borrowing	1,058,018	1,253,123	1,058,018	1,253,123
Payables and accruals	3,204,487	2,725,516	3,204,487	2,725,516
Dividend payable	1,103,960	1,118,991	1,103,960	1,118,991

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

5.1 Financial assets and financial liabilities

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

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

-Long-term, fixed-rate and variable-rate receivables/borrowings are evaluated by the Bank based on parameters such as interest rates. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2021, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values. Also, staff loans which are given at an interest rate lower than the effective interest rate are assumed to have a fair value as the carrying amount as tools for managing the fluctuations are not in place when management decided to measure them at fair value by creating staff cost and deferred interest to be amortised over the staff loan life span.

Fair value hierarchy

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

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Ghana Stock Exchange).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observation market data when available. The Bank considers relevant and observable market prices in its valuation when possible.

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

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

5.1 Financial assets and financial liabilities (continued)

Fair value hierarchy (continued)

As at 31 December 2021, the Bank held the following financial instruments measured at fair value:

2021	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	200,928	36,120	-	164,808
Trading investment	15	46,511,649	-	46,511,649	-
Loans and advances	18	36,950,862	-	-	36,950,862

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

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

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

6.1 Regulatory Disclosure	2021	2020
Gross Loans (GH¢)	**40,443,126**	37,709,216
Performing loans (GH¢)	36,608,525	34,653,913
Non-performing loans (GH¢)	3,834,600	3,055,303
Non-performing loan ratio (NPL %)	9.48%	8.10%
Loan loss provision ratio	6.87%	7.72%
Ratio of 20 largest exposures to total credit (%)	8.18%	29.36
Capital Adequacy Ratio (CAR %)	15.39%	16.73%
Primary Reserve - No. of defaults	Nil	Nil

7. Interest income	2021	2020
Loans and advances	11,024,611	10,519,397
Government securities & other investments	7,464,854	5,585,289
	18,489,465	**16,104,686**
Interest in arrears	**-**	(381,187)
	18,489,465	**15,723,499**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

8. Interest expense	**2021**	**2020**
Savings and fixed deposit accounts	3,600,511	3,285,454
Interest on loan	94,100	121,801
	3,694,611	**3,407,255**

9. Commission and fees	**2021**	**2020**
Commitment fees	711,872	668,951
Commission	671,730	715,716
	1,383,602	**1,384,667**

10. Other operating income	**2021**	**2020**
Other income	437,411	80,662
Service charge	47,171	22,011
Profit on disposal	7,230	-
Sundry income	63,965	646,559
	555,777	**749,232**

10.1 Impairment loss	**2021**	**2020**
At start of year	2,191,751	1,480,085
Bad debt written off	(408,630)	-
impairment after write off	1,783,121	1,480,055
Charged to profit or loss	997,191	711,665
Impairment at year end based on Bank of Ghana guidelines	**2,780,312**	**2,191,720**

11. Other operating costs	**2021**	**2020**
Staff related costs - note (11a)	7,570,158	6,833,204
Depreciation	470,747	379,572
Directors' fees	80,280	79,104
Audit fees	46,000	37,000
Microfinance expenses	370,382	301,893
General and administrative expenses-note (11b)	4,761,771	4,399,850
	13,299,338	**12,030,623**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

11(a). Staff related cost	2021	2020
Salaries and wages	5,895,328	5,339,773
Staff social security	600,361	606,608
Staff provident fund	284,957	286,307
Staff training and development	138,083	66,391
Staff medical costs	108,464	84,930
Other staff allowances	542,965	449,195
	7,570,158	**6,833,204**

11(b) General and administrative expenses	2021	2020
Electricity & water	249,413	254,515
Board meeting expenses	272,020	232,246
Police guard expenses	343,554	346,167
Travelling expenses	64,901	75,754
Office expenses	130,047	126,489
Printing & stationery	250,720	259,725
Repairs & maintenance	139,277	158,003
Rent & rates	162,253	152,875
Telephone postage	34,464	76,791
Insurance expenses	397,106	411,516
Advertising & publicity	44,597	40,938
Shortage in till	-	320
Anniversary expenses	131,872	91,496
Vehicle running expenses	593,501	470,868
Entertainment/protocol expenses	111,879	110,649
Specie expenses	51,804	56,401
Annual subscription	82,813	51,620
Computerisation	394,569	324,283
Cheque clearing expenses	37,200	35,753
Generating plant	55,514	53,402
Donation	77,394	29,352
Legal expenses	83,326	80,308
Motor vehicle repairs & Maintenance	201,350	170,135
Audit expenses	12,441	11,950
Professional fees	-	-
Other expenses	515,388	450,352
Business promotion	324,368	327,942
	4,761,771	**4,399,850**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

12(a). Taxation

	Balance at 1/1/2021	Charge for the Year	Adjustment	Payments	Balance at 31/12/2021
2019	(108,122)	-	6,924	-	(101,198)
2020	216,045	-	(166,567)	(107,923)	(58,445)
2021	-	911,842	-	(742,077)	169,765
	107,923	**911,842**	**(159,643)**	**(850,000)**	**10,122**

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

(b) Charge to income statement	**2021**	**2020**
Current income tax expense	911,842	720,398
Charge to income statement for deferred tax	(70,210)	35,679
Underestimate	(159,643)	33,426
Balance at year end	**681,989**	**789,504**

(c) Deferred tax	**2021**	**2020**
Balance at year start	(53,208)	(88,887)
Charge to income statement	(70,210)	35,679
Balance at year end	**(123,418)**	**(53,208)**

12(d) Reconciliation of effective tax rate	**2021**	**2020**
Profit before tax	2,437,704	1,707,855
Income tax using domestic tax rate (25%)	609,425	426,964
Tax effect of non-deductible expense	499,164	424,007
Tax effect of over/under estimate	(159,643)	33,426
Effect of deferred tax	(70,210)	35,679
Tax effect of capital allowance	(196,747)	(130,572)
Tax expense charge to profit or loss	**681,989**	**789,504**
Effective tax rate (%)	**38.84**	**46.23**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

13. Cash and cash equivalents

	2021	2020
Cash holdings	5,505,414	3,875,467
Bank (Note 32b)	1,051,098	1,146,590
ARB Apex Bank Limited- 5% Deposit (Note 16)	4,670,812	3,921,428
Mobile money cash balance	827,062	1,053,612
	12,053,987	**9,997,097**

14. Short-term investments

	2021	2020
Apex certificate of deposit (ACOD 7/30)	1,000,000	2,000,000
Treasury bills note	6,000,000	8,500,000
	7,000,000	**10,500,000**

15. Trading investment

	2021	2020
Fixed deposit with Non-Bank Financial Institution	4,426,069	7,476,069
Government stock	43,599,232	31,068,879
	48,025,301	**38,544,948**
Unearned interest	(1,513,652)	(232,989)
	46,511,649	**38,311,959**

16. ARB Apex Bank Limited- 5% Deposit

	2021	2020
At start of year	3,921,428	3,164,924
Net Investments during the Year	748,985	756,504
At year end	**4,670,413**	**3,921,428**

17. Investment in subsidiary

	2021	2020
SARB Service Limited	**1,800**	**1,800**

The SARB Service Limited is a subsidiary but as at 31 December, 2021, the Company is no more in existence except its net assets that procedures will be followed to liquidate the Company by appointing a liquidator.

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

18 (a) Loans and advances

Analysed by type of facility	**2021**	**2020**
Advances	10,094,554	13,491,407
Loans	30,348,572	24,217,808
	40,443,126	37,709,215
Less: provision for credit losses	(3,492,264)	(2,910,939)
	36,950,862	**34,798,276**

b) Analysed by type of customer	**2021**	**2020**
Individuals	21,089,999	20,886,523
Private institutions	5,242,551	7,371,085
Others	14,110,576	9,451,607
	40,443,126	37,709,215
Less provision for credit losses	(3,492,264)	(2,910,939)
	36,950,862	**34,798,276**

(c) Sectorial report

Loans		
Agriculture	980,607	593,739
Cottage industry	2,212,848	746,666
Transport	976,347	871,629
Commerce	15,393,025	9,335,398
Others (Microfinance)	10,785,745	12,461,883
	30,348,572	**24,009,305**
Advances		
Commerce	9,297,935	13,011,622
Others	796,619	688,288
	10,094,554	**13,699,910**
Total loans and overdraft	40,443,126	**37,709,215**
Less provision for credit losses	(3,492,264)	(2,910,939)
	36,950,862	**34,798,276**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

19. Equity Investments	2021	2020
Quoted shares		
Societe Generale Ghana PLC	9,600	5,760
GCB Bank PLC	26,200	22,000
Cocoa Processing Company PLC	320	480
	36,120	**28,240**
Unquoted shares		
ARB Apex Bank Ltd	164,808	164,808
Total	**200,928**	**193,048**

20. Other Assets	2021	2020
Office accounts	73,125	406,147
Stationery stock	286,272	250,512
Inter agency	12,967	-
Uncleared effect	141,019	-
Sundry debtors	215,499	102,157
Covid19 loans managed by the Bank	-	727,840
Interest and commission accrued	1,613,431	3,027,495
	2,342,313	**4,514,151**

21. Prepayments	2021	2020
Rent	413,044	332,320
Insurance	175,854	137,848
	588,898	**470,168**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

22a. Property, plant and equipment-2021	1 January Cost/valuation	Additions	Disposal	31 December
Land & Building	1,126,113	-	-	1,126,113
Office Equipment	653,422	19,190	(210,778)	461,834
Plant & Machinery	272,070	**72,015**	-	344,085
Motor Vehicle	1,242,368	406,010	(7,100)	1,641,278
Computer & Accessories	808,021	133,220	(7,500)	933,741
Furniture & Fittings	739,593	75,890	(10,591)	739,592
	4,841,587	**706,325**	**(235,969)**	**5,311,943**

Accumulated Depreciation	1 January	Charge for the year	Disposal	31 December
Land & Building	398,102	56,305	-	454,407
Office Equipment	520,974	45,604	(208,177)	358,401
Plant & Machinery	255,474	31,243	-	286,717
Motor Vehicle	1,092,372	191,477	(7,095)	1,276,754
Computer & Accessories	687,748	81,111	(7,500)	761,359
Furniture & Fittings	664,506	34,455	(10,452)	688,509
	3,619,176	**440,195**	**(233,224)**	**3,826,147**

Carrying values:

Land & Building	671,705
Office Equipment	103,433
Plant & Machinery	57,368
Motor Vehicle	364,524
Computer & Accessories	172,383
Furniture & Fittings	116,383
	1,485,796

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

22b. Property, plant and equipment- 2020	1 January Cost/valuation	Additions	31 December
Land & Building	1,126,113	-	1,126,113
Office Equipment	511,144	142,278	653,422
Plant & Machinery	272,070	-	272,070
Motor Vehicle	1,156,749	85,619	1,242,368
Computer & Accessories	737,738	70,283	808,021
Furniture & Fittings	682,393	57,200	739,593
	4,486,207	**355,380**	**4,841,587**

Accumulated Depreciation	1 January	Charge for the year	31 December
Land & Building	341,797	56,305	398,102
Office Equipment	477,697	43,277	520,974
Plant & Machinery	240,735	14,739	255,474
Motor Vehicle	973,373	118,999	1,092,372
Computer & Accessories	614,332	73,416	687,748
Furniture & Fittings	630,175	34,331	664,506
	3,278,109	**341,067**	**3,619,176**

Carrying values:

Land & Building	728,011
Office Equipment	132,448
Plant & Machinery	16,596
Motor Vehicle	149,997
Computer & Accessories	120,273
Furniture & Fittings	75,086
	1,222,411

23. Intangible assets	2021	2020
Cost	385,054	385,054
Accumulated depreciation	(78,683)	(48,132)
Balance	**306,371**	**336,923**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

24. Customer Deposits	2021	2020
(a) Analysed by type of accounts		
Time deposits	26,958,566	23,283,556
Current account	11,730,833	10,100,997
Savings accounts	53,525,138	50,358,718
	92,214,537	**83,743,271**
(b) Analysed by Type of Customers		
Susu	16,870,235	15,605,852
Government agencies and department	684,671	11,852,007
Private Enterprise	4,022,889	10,525,574
Individual	70,636,742	40,264,675
	92,214,537	**83,743,271**

25. Long term liabilities	2021	2020
ARB Apex Bank Limited	1,058,018	1,253,123
	1,058,018	**1,253,123**

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

During the year 2020, the Bank received GHS 727,840 from ARB Apex Bank Limited as Covid19 Fund set up by Ghana Government to be managed by the Bank.

26. Payables and accruals	2021	2020
Accrued interest	1,084,985	948,813
Bills payable	127,049	508,695
Audit fees	46,000	18,500
Police guard	38,400	28,800
Office accounts	375,869	349,972
Uncleared effect	381,919	59,836
Software license fee payable	112,307	262,050
PAYE and withholding tax payable	256,221	-
Inter-Agency	170,946	803
Ezwich	610,794	593,146
	3,204,487	**2,725,515**

Notes and significant accounting policies (continued)
(All amounts are stated in Ghana cedi unless otherwise stated)

27. Dividend payable	**2021**	**2020**
At start of year	1,118,991	1,183,205
Dividend declared at AGM	-	-
Payments	(15,031)	64,214
At close of year	**1,103,960**	**1,118,991**

28. Stated Capital		**2021**		**2020**
	Number	**Proceeds**	**Number**	**Proceeds**
Authorised				
Authorised ordinary shares	**100,000,000**	**-**	**100,000,000**	**-**
Issued Ordinary Shares for:				
Cash and other than cash	80,763,127	3,449,021	80,687,053	3,448,472
Additions during the year for cash/to correct RGD filing	**388,572**	38,857	76,074	549
At year end	**81,151,699**	**3,487,878**	**80,763,127**	**3,449,021**

Notes and significant accounting policies (continued)
(All amounts are expressed in Ghana Cedi unless otherwise stated)

29. Development fund	2021	2020
At start of year	3,009,417	2,709,417
Prior year adjustment	(2,000,000)	-
Reinstated balance	1,009,417	2,709,417
Transfer from retained earnings	-	300,000
Agency developments costs	(456,147)	-
At year end	**553,270**	**3,009,417**

29.1. Credit risk reserve	2021	2020
Balance at start of year	-	(257,805)
Bank of Ghana position after IFRS impairment	2,780,311	2,190,154
IFRS Impairment provision	(2,532,330)	(1,978,654)
At year end	**-**	**-**

30. Statutory Reserve Fund	2021	2020
At start of year	3,070,778	2,841,190
Transferred from Retained earnings	438,929	229,588
At year end	**3,509,707**	**3,070,778**

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;

Notes and significant accounting policies (continued)
(All amounts are expressed in Ghana Cedi unless otherwise stated)

30. Statutory Reserve Fund (continued)

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

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

31. Earnings per Shares

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

	2021	**2020**
Profit attributable to ordinary shareholders	1,755,715	918,351
Weighted average shares	81,054,539	80,744,108
EPS	**0.023**	**0.011**

32. Cash and Cash Equivalents	**2021**	**2020**
Cash holdings (Note 13)	6,332,476	3,875,467
Bank (Note 32b)	1,051,099	2,200,203
ARB Apex Bank Limited-5% Deposit (Note 16)	4,670,412	3,921,428
Short term investment (Note 14)	7,000,000	10,500,000
	19,053,987	**19,443,485**

32(b). Bank Balance	**2021**	**2020**
ARB Apex Bank Limited	1,051,099	1,146,591
Other banks (Mobile money)	827,062	1,053,612
	1,878,161	**2,200,203**

Notes and significant accounting policies (continued)
(All amounts are expressed in Ghana Cedi unless otherwise stated)

33. Capital commitments

There were no outstanding capital commitments at the reporting date (2020: Nil).

34. Contingencies

There were no contingent assets or liabilities not provided at the reporting date (2020: Nil).

35. Legal proceeds

There were no legal proceedings against the Bank at the reporting date (2020: Nil).

36. Related party transactions

a) Key management personnel and directors

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

For the year under review, key management personnel include:

i. Board of Directors -refer to list on page 1

36. Related party transactions

b. Transactions with Directors and Key Management Personnel

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

Key management and staff compensation	**2021**	**2020**
Directors Emoluments	80,280	79,104
Salaries and other benefits to senior management	2,769,464	2,434,898

36. Related party transactions (continued)

c. Loan transactions with Directors and Key Management Personnel

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

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

Details	**At start of year**	**Addition**	**Payments**	**At year end**
Directors	254,222	-	(254,222)	-
Firms that Directors have interest	399,444		(399,444)	-
Senior management staff	1,465,891	881,000	(1,183,635)	1,163,256

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

Shareholding Structure

(i) Number of Shares Outstanding

Earnings and dividend per share are based on **81,151,699** (2020: 80,763,127) Ordinary Shares Outstanding).

(ii) Directors Shareholding:

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

Directors' shareholding as at 31 December 2021

Names of Directors		**No. of Shares**	**Percentage of Issued Capital**
1.	William Kwadwo Boateng	1,932,027	2.36
2.	Joseph Sarpong	1,961,295	2.40
3.	Elizabeth Afriyie Fianko (Mrs.)	837,556	1.02
4.	Dr. Mark Boadu	388,659	0.47
5.	Stephenson Samuel Ayeh	301,296	0.37
6.	Dr. Edward Kwapong	157,112	0.19
		5,577,945	**6.82%**

(iii) Key Management staff other than the Board of Directors shareholding as at 31 December 2021
Key management staff also invested in the shares of the Bank

37. Number of Shareholders

The Bank had 6,373 Ordinary Shareholders as at 31 December 2021 distributed as follows: -

Holding Agency	**No. of Members**	**Total Holding**	**% Holding**
Nankese	2,732	26,248,522	32.08
Suhum	1,585	24,470,799	29.90
Asamankese	845	13,129,133	16.04
Koforidua	626	8,989,820	10.99
Adoagyiri	194	7,433,037	9.08
Osenase	250	1,097,129	1.34
Adweso	81	332,100	0.41
Kade	60	131,335	0.16
	6,373	**81,831,875**	**100%**

38. Cash flows from operating activities:	**2021**	**2020**
Profit before tax	2,437,704	1,707,855
Add: depreciation	470,747	379,572
IFRS 9 effect	-	211,500
Profit on disposal	(7,230)	-
Prior year adjustment	(2,869,411)	(253,076)
Cash Inflow before changes in working capital	**31,810**	**2,045,851**
Increase in loans and advances	(2,152,586)	(954,867)
Increase in other assets	2,171,838	(2,159,889)
Increase in customer deposit	8,471,266	17,844,491
Increase/(decrease) in accounts payable	478,971	916,587
Decrease/(increase) in prepayments	(118,730)	(204,020)
	8,882,569	**17,488,153**

SOUTH AKIM RURAL BANK PLC . – Nankese

PROXY FORM

I/We ....
(Block Capital Please)
Of ....
Being member/members of SARB Bank Ltd. hereby appoint
....
(Insert full name)
Of..
or (failing him the duly appointed Chairman of the meeting) as my/our Proxy to vote for me/us at the Annual General Meeting to be held on ...., 2022.

Please indicate with an X in the spaces below how you wish your votes to be cast.

RESOLUTION	FOR	AGAINST
1. To receive the Account		
2. To declare the dividend as recommended		
3. To authorize the Directors to fix the Auditors' fees		
4. To fix Directors' Remuneration.		
5. Election of Directors		
6.		
7.		
8.		
9.		
10.		

Signed this .... day of 2022

Shareholder's Signature..

THIS PROXY FORM SHOULD NOT BE SENT TO THE BANK IF THE MEMBER WILL BE ATTENDING THE MEETING.

NOTES:

1. A member (Shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy.

   The above proxy form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for the Chairman of the Meeting to act as our proxy but, if you wish, you may insert in the blank space the name of any person whether a Member of the company or not, who will attend the meeting and vote on your behalf instead of the Chairman of the Meeting.
3. In case of joint holder, each holder should sign.
4. If executed by a corporation, the Proxy Form should bear its common seal or be signed on its behalf by a Director.
5. Please sign the above Proxy Form and post it so as to reach the address shown overleaf not later than 4 hours before the appointed time of the meeting.
6. The proxy must produce the Share Certificate of Shareholder of the meeting to obtain entrance to the meeting.

SECOND FOLD HERE

The Secretary
SARB Ltd
H/no. N.380
Nankese
PMB
Nankese
Via Suhum

FIRST FOLD HERE

THIRD FOLD HERE

PROGRAMME

1. 9:00am - Arrival of Members & Guest
2. 9:45am - Opening Prayer
3. 10:00am - Reading of Notice Convening the Meeting
4. - Report by the Board Chairman
5. - Presentation of Director's Report
6. - Presentation of Audited Accounts
7. - Adoption and Discussion of Reports
8. - Determination of Directors Remuneration
9. - Authorisation of Directors to fix Remuneration of Auditors
10. - Declaration of Dividend 2021
11. - Election of Directors
12. - Address by Managing Director of ARB Apex Bank
13. - Address by Barima Annor Marfo II, Nankesehene
14. - Closing Remarks
15. - Closing Prayer

MC: Mr. Benjamin Asiedu Agyeman