

# ANUM RURAL BANK LIMITED

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018**

**Anum Rural Bank Limited**

**Reports and Financial Statements**

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**Board of Directors**

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Daniel Adu Appea	Board Chairman
Samuel Yao Katsekor	Board Vice Chairman
Baadu Eric Agyemang	Member
Edwin Kwabena Adjei	Member
Nathaniel Kingsley Afunyah	Member
Christian Ani Frimpong	Member
Godfred Pobi Essel (January - July, 2018)	Member
Martin Adu-Owusu (August - December, 2018)	Member

**Secretary (January - August, 2018)**

Baadu Eric Agyemang  
P.O.Box STC 586  
Accra

**Secretary (Sep - Dec, 2018)**

Nathaniel Kingsley Afunyah

**Management**

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Desmond R. Akrong	Acting General Manager
Eric Peprah	Head, Internal Audit
David Osei Obiri	Head, Operations
Augustus Anyane Gyau	Head, Information Technology
Gideon Darkey	Head, Juapong Agency
Emmanuel P. Odame	Head, Credit & Investments
Francis Teye Mensah	Head, HR & Administration
Bright Sarpeh	Head, Risk & Compliance Unit

**Registered Office**

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Bank Premises  
P. O.Box 15  
Anum, Eastern Region  
Ghana.

**Bankers**

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ARB Apex Bank Limited

**Auditors**

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Owiredu- Yeboah Consult  
Chartered Accountants, Tax & Management Consultants  
Hse No. 12 Kofi Adotei Road, Sahara - Dansoma  
P. O. Box AN 7872 Accra-North  
Tel: '0244668786 / 0208787273

## **STATEMENT OF DIRECTORS RESPONSIBILITIES**

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The Company's Act, 1963 (Act 179) requires the Directors to prepare financial statement for each financial year which gives a true and fair view of the state of affairs of the company and of its profit or loss for that year.

In preparing those financial statements the directors are required to:

- a. Select suitable accounting policies and apply them consistently;
- b. Make judgments and estimates that are reasonable and prudent;
- c. State whether applicable accounting standards have been followed, subject to any material departures;
- d. Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which discloses with reasonable accuracy at any time the financial position of the company which enable them to ensure that, the financial statements comply with the Company's Act 1963 (Act 179), the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930) and the Anti-Money Laundering Act, 2008, (Act 749).

The Directors are responsible for safe guarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the financial statements using accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied

The Board of Directors have the pleasure to submit this report on the company for the year ended 31st December 2018.

The Directors are of the opinion that the financial statements give a true and fair view of the state of affairs of the company and of its profit or loss, and that the financial statements are free from material misstatements.

The Directors responsibilities include; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, as well as making accounting estimates that are reasonable in the circumstances.

The Directors have assessed the Bank's ability to continue as a going concern and that nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

#### **NATURE OF BUSINESS**

The principal business of the company is to provide banking and related services including taking deposits and lending money. The activities of the Bank did not change during the year under review.

#### **FINANCIAL RESULTS AND DIVIDENDS**

The results of the year are as set out in the attached detailed financial Statements on pages 10 to 40 and summarized below:

	2018 GH¢	2017 GH¢
<b>Profit before tax for the year</b>	<b>1,068,834</b>	<b>767,617</b>
From which is deducted a tax charge of	<u>(292,677)</u>	<u>(240,617)</u>
<b>Resulting in a profit after tax of</b>	<b>776,158</b>	<b>527,000</b>
To which must be added the balance brought forward on the income surplus account at the beginning of the year of	<u>1,916,302</u>	<u>858,643</u>
<b>Leaving a balance before statutory and other transfers of</b>	<b>2,692,460</b>	<b>1,385,643</b>
From which the following transfers were made:		
Dividend declared	(276,234)	(276,107)
Transfer to statutory reserve in accordance with section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)	(194,039)	(131,750)
Transfer to/from building reserve fund	(194,039)	938,516
Transfer to stated capital	<u>(500,000)</u>	<u>-</u>
<b>Leaving a balance on the income surplus account of</b>	<b>1,528,147</b>	<b>1,916,302</b>

**DIVIDEND**

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The Directors recommend the payment of **GH¢0.0045** per share amounting to **GH¢293,081** for the year ended 31<sup>st</sup> December, 2018. (Dividend declared in 2017 was **GH¢0.0045** per share amounting to **GH¢276,234**)

**RETIREMENT AND RE-ELECTION OF DIRECTORS**

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In accordance with section 298 of the Companies Act 1963 (Act 179) and the regulations of the Bank, Messrs Christian Ani-Frimpong retired by rotation and being eligible offer himself for re-election.

**AUDITORS**

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Your external auditors, Messrs Owiredu-Yeboah Consult will continue in office as auditors of the Bank in accordance with section 134(5) of the Companies Act 1963, (Act 179)

**APPROVAL OF THE FINANCIAL STATEMENTS**

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The Financial Statements of the Bank were approved by the Board of Directors and signed on its behalf by:

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Director

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Date

.....

Director

.....

Date

## **Independent Auditor's Report**

### **To the shareholders of Anum Rural Bank Limited**

#### **Report on the Audit of the Financial Statements**

We have audited the financial statements of Anum Rural Bank Limited ("the Company"), which comprise the statement of financial position at 31 December 2018, and the statements of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 40.

#### **Modified Opinion**

In our opinion, except for the difference in the certified confirmation balance of equity investments obtained from ARB Apex Bank and interest accrued on system generated overdraft balances, these financial statements give a true and fair view of the financial position of Anum Rural Bank Limited at 31 December 2018, and its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963(Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the Anti-Money Laundering Act, 2008, (Act 749)

#### **Basis of Modified 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 Company in accordance with the International Ethics Standards Board for Accountants' code of Ethics for professional Accountants (IESBA code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### **Emphasis of Matter**

##### ***Short Term Investments - Interest***

We draw attention to note 10 in the financial statements which describes the Bank's short term investments held with CDH Savings & Loans, Unicredit Ghana Limited as well as UniSecurities Ghana Limited. Confirmations received from them certified the investments held by the Bank with them. However, investment income outstanding for the period amounting to Ghs 480,941.32, Ghs 281,323.05 and Ghs 171,818.23 had not been paid by them or received by the Bank from them respectively, as at time of issuing this report, even though written correspondences have been sent to them by the Bank.

We must state however that, our opinion, is not qualified in respect of this matter.

### ***Equity Investments***

We draw attention to note 14 in the financial statements which describes Equity Investments with ARB Apex Bank. Confirmation received certified an amount of Ghs 66,004.00 credit as against a reported balance of Ghs 84,004 in the Bank's books of accounts. We conclude that the Bank investigate and reconcile with ARB Apex Bank on the matter.

We must state however that, our opinion, is not qualified in respect of this matter

### **Key Audit Matters**

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### ***System Generated Overdraft Balances***

We received and obtained a list of overdraft accounts (691 accounts) with a total overdraft balance currently amounting to Ghs 561,271.91 (interest inclusive). Overdrafts had been granted since 2012 and were in defaults of payment. Upload of these accounts from the then manual system being operated by the Bank into the accounting system resulted in interest generation, in error, on them unknowingly to the Bank until 2014 when it was noted and halted by management. Upgrade of the Bank's accounting system resulted in generation of interest, in error, of some of the overdraft accounts.

We assessed the information obtained and has requested management to provide a trail and details of the overdrafts amount or facility granted on the accounts and the total interest which has accrued on them in error to effectively correct such errors. We must state however that the effect of the above does not materially affect the Bank's results of operations as presented in the current period.

### **Other Information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' Report as required by the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) but 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of the Board of Directors for the Financial Statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and the Anti-Money Laundering Act, 2008, (Act 749) and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

We communicate with the Directors 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.

**Report on Other Legal and Regulatory Requirements**

***Compliance with the requirements of the Companies Act, 1963(Act 179) – Section 133***

- a) We have obtained all the information and explanations which we considered necessary for the performance of the audit
- b) In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books
- c) The statement of Financial Position and the Statement of Comprehensive Income of the Bank are in agreement with the books of account

***Compliance with the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) - Section 85***

- a) The financial statements give a true and fair view of the state of affairs of the Bank and its result for the year under review
- b) We were able to obtain all relevant information and explanations required for the efficient performance of our duties as auditors
- c) The Bank's transactions were within its powers
- d) The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749) and the Anti-Terrorism Act 2008, (Act 762)

The engagement partner on the audit resulting in this independent auditor's report is **Eugene Owiredu-Yeboah (ICAG/P/1229)**

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**Owiredu Yeboah Consult (ICAG/F/2019/144)**  
**Chartered Accountants**  
**Sahara-Dansoman**  
**P.O.Box AN 7872 Accra North**  
**Accra**

.....**2019**

**Statement of comprehensive income**  
**For the year ended 31st December 2018**

*All amounts expressed in Ghana Cedis*

	Notes	2018	2017
Interest income	3	7,079,349	6,092,444
Interest expense	4	(794,539)	(542,353)
<b>Net interest income</b>		<b>6,284,811</b>	<b>5,550,091</b>
Commissions and fees	5	1,477,710	1,241,421
Other operating income	6	89,490	88,204
<b>Total operating income</b>		<b>7,852,010</b>	<b>6,879,717</b>
Charge for credit losses		(127,405)	(112,580)
Operating costs	7	(6,655,771)	(5,999,520)
<b>Profit before taxation</b>		<b>1,068,834</b>	<b>767,617</b>
Tax provision	32	(292,677)	(240,617)
<b>Profit after tax</b>		<b>776,158</b>	<b>527,000</b>

**Earnings per share (EPS)**

Basic and diluted earnings per share (in GHP)	27	1.20	0.91
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**Anum Rural Bank Limited**  
**Statement of Financial Position**  
**As at 31st December 2018**

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*All amounts expressed in Ghana Cedis*

	Notes	2018	2017
<b>Assets</b>			
Cash and bank balances	9	1,797,278	1,094,167
Short term investments	10	8,305,544	7,599,581
Loans and advances	11	14,564,533	12,456,343
Apex bank deposit reserve	12	1,115,086	913,162
Equity investments	14	84,004	84,004
Other assets	13	2,976,803	2,225,454
Property, plant and equipment	20	2,593,640	2,558,608
<b>Total Assets</b>		<b>31,436,889</b>	<b>26,931,319</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Customer deposits	15	22,498,855	19,133,499
Managed funds	19	155,637	152,137
Dividend payable	16	736,504	656,453
Current tax liability	17	81,021	144,195
Creditors and accruals	18	1,279,977	927,721
Borrowings	23	199,980	133,353
<b>Total Liabilities</b>		<b>24,951,975</b>	<b>21,147,357</b>
<b>Equity</b>			
Stated capital	25	1,917,253	1,320,225
Statutory reserve fund	21	1,384,741	1,190,702
Building fund	22	194,039	-
Capital surplus	24	1,460,733	1,356,733
Income surplus account	26	1,528,147	1,916,302
<b>Total Equity</b>		<b>6,484,914</b>	<b>5,783,962</b>
<b>Total liabilities and equity</b>		<b>31,436,889</b>	<b>26,931,319</b>

Net Asset Per Share (GHC per Share)

0.10

0.09

.....  
Director

.....  
Director

.....  
Date

.....  
Date

**Statement of cashflow****For the year ended 31st December 2018***All amounts expressed in Ghana Cedis*

	2018	2017
<b>Profit before tax</b>	<b>1,068,834</b>	<b>767,617</b>
Depreciation	86,933	227,038
Provision for credit Losses	(127,405)	(112,580)
Round off adjustments	1	(1)
<b>Cash flow before changes in assets &amp; liabilities</b>	<b>1,028,363</b>	<b>882,074</b>
<b>Changes in assets and liabilities</b>		
Changes in loans and advances	(1,980,786)	(1,011,929)
Changes in other assets	(751,349)	(1,295,883)
Changes in creditors and accruals	352,256	130,958
Changes in customer deposits	3,365,357	3,045,319
<b>Cashflow from operating activities before dividend &amp; tax</b>	<b>2,013,842</b>	<b>1,750,540</b>
<b>Dividends and tax</b>		
Tax paid	(355,851)	(242,406)
Dividend paid	(196,182)	(182,675)
	<b>1,461,809</b>	<b>1,325,459</b>
<b>Investing activities</b>		
Net investments in Apex Deposit Reserve	(201,925)	(150,125)
Purchase of property and equipment	(17,965)	(114,417)
	<b>(219,890)</b>	<b>(264,542)</b>
<b>Financing</b>		
Proceeds from issue of shares	97,028	131,656
Borrowings	66,627	(265,751)
(Decrease)/Increase in managed funds	3,500	(1,500)
	<b>167,155</b>	<b>(135,595)</b>
Net Increase in cash and cash equivalents	1,409,074	925,322
Cash and cash equivalents at January 1	8,693,749	7,768,426
<b>Cash and cash equivalents at December 31</b>	<b>10,102,823</b>	<b>8,693,749</b>
<b>Analysis of cash and cash equivalents as shown</b>		
Cash balance	982,441	652,499
Apex bank balance	814,837	441,668
Short term investments	8,305,544	7,599,581
	<b>10,102,823</b>	<b>8,693,749</b>

Statement of changes in equityFor the year ended 31st December 2018*All amounts expressed in Ghana Cedis*

	Stated Capital	Capital Surplus	Statutory Reserve Funds	Other Reserve Funds	Income Surplus	Total
<b>2018</b>						
<b>At 01/01/18</b>	<b>1,320,225</b>	<b>1,356,733</b>	<b>1,190,702</b>	<b>-</b>	<b>1,916,302</b>	<b>5,783,962</b>
Issue of shares for cash	97,028	-	-	-	-	97,028
Transfers from income surplus	500,000	-	-	-	(500,000)	-
Transfers to dividend payable	-	-	-	-	(276,234)	(276,234)
Net profit for the year	-	-	-	-	776,158	776,158
Transfers from income surplus	-	-	194,039	194,039	(388,079)	-
Capital surplus	-	104,000	-	-	-	104,000
<b>At 31/12/18</b>	<b>1,917,253</b>	<b>1,460,733</b>	<b>1,384,741</b>	<b>194,039</b>	<b>1,528,147</b>	<b>6,484,914</b>
<b>2017</b>						
<b>At 01/01/17</b>	<b>1,188,570</b>	<b>1,356,733</b>	<b>1,058,952</b>	<b>-</b>	<b>858,643</b>	<b>4,462,897</b>
Prior year adjustment	-	-	-	938,516	-	938,516
<b>Balance restated</b>	<b>1,188,570</b>	<b>1,356,733</b>	<b>1,058,952</b>	<b>938,516</b>	<b>858,643</b>	<b>5,401,413</b>
Issue of shares for cash	131,656	-	-	-	-	131,656
Net profit for the year	-	-	-	-	527,000	527,000
Transfer to dividends payable	-	-	-	-	(276,107)	(276,107)
Transfer to income surplus	-	-	-	(938,516)	938,516	-
Transfer from income surplus	-	-	131,750	-	(131,750)	-
Capital surplus	-	-	-	-	-	-
<b>At 31/12/17</b>	<b>1,320,225</b>	<b>1,356,733</b>	<b>1,190,702</b>	<b>-</b>	<b>1,916,302</b>	<b>5,783,962</b>

The Other Reserve Fund relates to Building Fund at the end of the period

## **1. THE REPORTING ENTITY**

### **1.1 The Company**

The Anum Rural Bank Limited is a limited liability company registered under Ghanaian Legislation and authorized 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.

The bank is domiciled in Ghana with its head office at Anum in the Eastern Region with its network of Agencies located within the Eastern, Volta and Greater Accra Regions - Ghana. The registered office is at Anum in the Eastern region of Ghana.

### **1.2 Functional and Presentation Currency**

The financial statements are presented in GHs which is the Bank's functional and presentation currency

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bank for the year ended 31<sup>st</sup> December 2018 incorporate the principal accounting policies set out below.

All the Material information required by legislation, particularly the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have also been disclosed or presented in the appropriate context.

### **2.1 Basis of Preparation**

The bank prepares its Financial Statements under the historical cost basis as modified by the revaluation of certain assets and liabilities through the assessment of impairment and fair value measurement.

### **2.2 Income Recognition**

#### **Revenue**

Revenue is recognised on accrual basis and to the extent of the economic benefits expected to flow to the Bank and that the revenue can be reliably measured as provided hereunder

#### **Interest Income**

Interest income are recognised in the Financial Statements in respect to interest bearing Financial Instruments including loans and advances as interest accrues using the effective interest rate method. The effective interest method is used as basis to recognize interest income in the profit and loss account for all interest – bearing financial instruments including loans and advances. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income.

The applicable effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts available over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the related financial asset.

The effective interest rate is calculated within the context of all estimated cashflows, and due consideration to all contractual terms of the financial instrument including any early payment options but not future credit losses.

The calculation also includes all related transactional cost such as processing and commitment fees received by the bank.

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-valued on the accrual basis only when doubts about their collectability are removed and when the outstanding arrears of interest and principal are received.

### **Commissions and Fees**

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

### **Other Operating Income**

This relates to income accruing from the consequential dimension of the bank's operations including the sale of value books, susu/microfinance operations and where applicable profits or gains from the sale of property and equipment.

## **2.3 Interest Expense**

Interest expense is recognized in the profit or loss for all interest bearing Financial Instruments measured at amortised cost, including savings and fixed deposit, 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, when appropriate, a shorter period to the 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.



## **2.4 Financial Instruments Categorization, Initial Recognition and Subsequent Recognition**

### **Categorization**

The Bank classifies its Financial Assets into those measured at Fair value through profit and loss and those measured at amortized cost; and Financial assets at Fair value through other comprehensive income.

### **Recognition**

Purchases and sale of Financial Assets are recognised on the transaction date

### **Initial Recognition of Financial Instruments**

Financial instruments are initially recognised at their fair value plus, in the case of financial assets or liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the Financial Asset or liability

### **Subsequent Measurement**

#### **Financial Assets at Fair Value through Profit and Loss**

##### **Held for Trading**

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future, or is a part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit making

##### **Designated at Fair Value through Profit and loss**

Upon initial recognition as financial asset, it is designated at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value subsequent to initial recognition. Gains or losses upon subsequent measurement are treated in Profit or loss. All equity instruments are measured at fair value

#### **Financial Assets Measured at Amortized Cost**

A financial asset is measured at amortized cost if the following conditions are met:

The asset is held within a business model whose objective is to hold the assets in order to collect contractual cash flows, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Term loans to customers come under this category. They are initially recognised when cash is advanced to the borrowers at fair value, inclusive of transaction costs. Subsequent to initial recognition, Term loans are measured at amortized cost less impairment losses

### **Financial Assets Measured at Fair Value through Other Comprehensive Income**

Securities including investments in money market and equity shares, other than those classified as trading securities, or at fair value through profit or loss, are classified in the Statement of Financial Position at their fair value. Other financial assets that are neither cash nor categorized under any category also come under this classification. Financial assets measured at fair value through other comprehensive income are measured at fair value with gains and losses arising from changes in fair value recognized directly in other comprehensive income until the Financial Asset is either sold, become impaired, or mature, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest calculated using effective interest method is recognized in the Statement of comprehensive income. Dividends on equity instruments are recognized in the income statement when the Bank's right to receive payment is established

### **Financial Liabilities**

Financial liabilities are classified as non-trading, held for trading or designated as at fair value through profit and loss. Non-trading liabilities are measured subsequent to initial recognition at Amortized cost applying the effective interest method. Held for trading liabilities or liabilities designated at fair value through profit or loss, are measured at fair value. All financial liabilities shown in the financial statements are non-trading liabilities.

### **Determination of Fair Value of Financial Instruments**

#### **Availability of Active Market**

The fair value of a financial instrument traded in active market at the reporting date is based on its quoted market price without any deduction of transaction costs

#### **Non-availability of Active Market**

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. However, fair values for such equity investments are determined from the declaration of capital appreciations by the investee organization of amounts so declared in the form of additional shares in the equity holdings. Investments whose fair value can be reliably measured are measured professionally through the use of valuation technique.

#### **Determination of Fair Value**

The International Financial Reporting Standard (IFRS) 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, excluding transaction cost other than that relating to transport. In practical terms issues usually considered in such a determination would include highest and best use, physical possibility, legal permissiveness and financial feasibility.

Quoted market prices, inter-bank interest rates as well as regulatory discount rates are examples of the practical measurement standards applicable to the Anum Rural Bank Limited.

### **Short-Term Receivables**

The fair value of short term receivables approximate book value and are measured as such

### ***Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset when there is a legally enforceable right to do so and the net amount stated in the statement of financial position. This happens when there is the intention to settle on net basis or realize the financial asset and redeem the financial liability

### **Derecognition of financial assets and liabilities**

Financial assets are derecognized when the Bank's right to cash flows has expired or when the Bank has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when the control over the financial assets has passed. A financial liability is derecognized when the obligation is discharged, cancelled or has expired.

### **Impairment of Financial Assets**

A financial asset or a group of financial assets is considered impaired only if there is an objective evidence of impairment as a result of one or more event(s) that have occurred after initial recognition of the asset and the event or events have diverse impact on the estimated future cash flow of such financial asset or group of financial assets.

The amount of impairment is measured as the difference between the carrying value of the financial asset or group of financial assets and the estimated future cash flows discounted at the original effective interest rate used to originate the financial asset or group of financial assets in question.

Evidence of impairment may include indications that the holders of the bank's loans and advances are experiencing significant financial difficulty, default or delinquencies in the payment of interest and/or principal. It may also include the fact that the debt is being restructured to reduce the burden on the borrower.

### **Impairment of Loans and Advances**

Provision for credit losses is made, having regard to specific risk. The provisions are made in respect of those advances that have been individually reviewed and specifically identified as bad or doubtful. In determining the level of provision required, management considers numerous factors including, but not limited to, domestic economic conditions, the composition of the advance portfolio and prior bad debt experience.

Provisions made during the year are charged as a separate amount in the profit and loss account. When an advance is deemed irrecoverable it is written off against the related bad debt provision. Subsequent recoveries of advances that have been written off are credited to the profit and loss account under the category of Other Operating Income.

### **Impairment of Non-Financial Asset**

Non-financial assets are assets that have indefinite useful life and are not subject to amortization and are tested manually for impairment. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the Asset Fair Value (Market Value) less cost to sell.

It is the policy of the bank to review all non-financial assets that suffer impairment for the possible reversal of the impairment at each reporting date.

### **2.5 Loans and Advances**

Loans and Advances are non-derivative financial assets having a fixed or determined cash flow patterns and are not quoted on any active market. Loans and Advances are initially recognized at fair value equivalent to the cash consideration or outflow required to originate or generate the loan including any transaction costs and measured subsequently at amortized cost using the effective interest method. Where any impairment arises the estimated impairment loss is fully provided for and recognized in the profit and loss as charge for credit losses.

### **2.6 Cash and Cash Equivalents**

Cash and Cash equivalents identified in the statement of cash flows comprise physical cash balances on hand and with other banks as well as highly liquid investments with up to three (3) months maturity from the date of acquisition.

### **2.7 Equity Investment**

Equity investments are marked to market. Market in this context refers to the periodic advice issued by the ARB Apex Bank regarding the price of its equity shares held by the bank.

### **2.8 Property, Plant and Equipment**

Items of property and equipment are stated at cost less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. All other repairs and maintenance cost are charged to profit and loss during the financial period in which they occur.

Depreciation is recognized in the profit or loss on a straight line basis to write off the cost less residual amount of assets over their estimated useful lives. The evaluation and estimation of economic useful lives of assets is constantly reviewed by the directors and where appropriate or applicable, changes in accounting policy and depreciation rates are approved for the particular assets or class of assets.

The estimated useful life of the Bank's Property, Plant & Equipment is as follows:

Motor Vehicle	20%
Office Equipment	25%
Furniture & Fittings	20%
Freehold Land & Buildings	2.5%
Building Renovations	20%
Chub Safe	10%

## **2.9 Income Tax**

Income tax expense for the period is calculated at the rate of 25% of chargeable income. There are tax sensitive income and expenditure which precipitate a numerical difference between the reported profits or losses and chargeable income for a particular period.

These differences may also arise from the tax basis of assets and liabilities and their carrying amount in the Financial Statements. The concept of Deferred Income Tax may thus arise. The Directors are however of the opinion that the financial value of factors giving rise to deferred tax are not material in this context.

### **Deferred Tax**

The Directors have assessed the issue and concept of deferred tax and are of the opinion that the financial value or factors giving rise to deferred taxes have become material in the context of the financial presentation of the bank.

The directors have therefore adopted the liability method on temporary differences that arise from the tax basis of assets and liabilities and their carrying amounts in the financial statements to calculate and make full provision for deferred tax in the financial statements of the bank. The determination of deferred income tax is based on tax rates (and tax laws as the case may be) that have been enacted or expected to become valid for application by the reporting date, or when the related deferred income tax asset may be realized or when the deferred income tax liability may be settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized and such future profits can be reliably measured.

As a result, deferred tax assets are reviewed periodically to ensure that their expected recoverable values grounding their initial recognition have not been impaired and where they have, to reduce the related deferred tax assets to their recoverable amounts.

## **2.10 Provisions**

A provision is recognized in the statement of financial position when a legal or constructive obligation as a result of a past transaction or event exist at the reporting date and the amount of the obligation can be reliably estimated also probable that an outflow of economic resource will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

## **2.10 Stated Capital and Reserves**

### **Stated Capital**

Stated Capital comprises amount arising from the issue of shares for cash and transfers from retained earnings and other surpluses as defined under the Companies Act 1963 (Act 179). These shares are not redeemable by holders in the normal course of business. Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders.

### **Statutory Reserves**

The statutory Reserve Fund is required under section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) to be set aside cumulatively from annual profit after tax. Depending on the ratio of existing Statutory Reserve Fund to paid up capital, the proportion of after-tax profits required to be transferred to this reserve fund ranges from 12.50% to 50%. The Bank during the year transferred an equivalent of 25% to reserve fund of its annual profit after tax.

### **Capital Surplus/Reserves**

The capital surplus account is a creation of law under sections 69 and 70 of the company's Act 1963 (Act 179) and records gains or losses arising from the revaluation of assets of the company including its property, plant and equipment. 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.

### **Income Surplus (Retained Earnings)**

The Income Surplus account records the cumulative annual profits (after appropriations) available for distribution to shareholders.

## **2.11 Post Balance Sheet Events**

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

## **2.13 Employment Benefit**

The cost of all employee benefits is recognized during the period in which the employee renders the related service. The provisions for employee entitlements to wages, salaries annual and sick leave represent the amount which the company has a present obligation to pay as a result of the employees' services provided to the reporting date.

## **National Pension Scheme**

The Company contributes 13.50% of basic salary 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.

### **Provident Fund**

The Bank has a provident fund scheme for all employees. Employees of the Bank contribute 5% of their basic salary to the fund whilst the bank contributes 7.5%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated.

## **2.14 RISK MANAGEMENT**

The Bank's operations come with these risks:

### **Credit Risk**

To the Bank, Credit risk is the likelihood that a receivable from a financial instrument issued by the Bank to a borrower is unlikely to be received regarding the principal with or the according to the terms contained in the financial instrument. This will result in economic loss to the Bank. The credit risk arises from largely loans and advances to customers. The credit risk is managed through the systems and controls established by the Credits department that ensures that periodic review of the status of the receivable at every stage of application to completion of the repayment of the advance by the borrower. The credit department submits reports of the performance of the Loans and Overdrafts to the loans committed which takes appropriate actions for approval and recovery. Credit facilities are monitored for early warning signals of non-performance.

### **Market Risk**

Market risk is the potential of losses arising from movements in market prices such as Interest rates, exchange rates, and equity and commodity prices. Currently, the Bank's activities expose it to interest rate risks with no exposure to exchange rate, equity or commodity price risks. The interest rate risk is inherent in the Bank's financial assets and liabilities such as loans, customer's deposits and borrowings

### **Liquidity Risk**

Liquidity risk is the potential loss to the Bank arising from either its inability to meet its maturing short-term obligations as they fall due or to fund increases in assets without incurring unacceptable costs. The management of this risk enables the Bank to minimize the timing of cash flows relating to its Assets and Liabilities to ensure that it regularly maintains the primary reserve requirement of 13% of total deposits as required by Bank of Ghana and ARB Apex Bank

### **Operational Risk**

Operational risk is direct or indirect loss resulting from inadequate or failed internal and processes, staff and systems. These are managed by well-designed manuals that reflect the main operating procedures, business continuity planning, reconciliations, internal audit, risk and compliance and timely and reliable management reporting

**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

	2018	2017
<b>3. Interest Income</b>		
Micro Finance Income	357,180	411,397
Government Securities & Other Investments	1,892,467	1,787,232
Loans and Advances	4,829,702	3,893,816
	<b>7,079,349</b>	<b>6,092,444</b>
<b>4. Interest Expense</b>		
CDH Loan Interest	-	33,488
Fixed Deposit Accounts	435,267	178,766
Interest on Managed Fund	15,845	37,463
Savings Accounts	343,427	292,636
	<b>794,539</b>	<b>542,353</b>
<b>5. Commission and Fees</b>		
Commission on Turnover	728,523	675,136
Commitment Fees	749,186	566,285
	<b>1,477,710</b>	<b>1,241,421</b>
<b>6. Other operating income</b>		
Amortised Mida Fund	1,945	39,052
Commission on Electronic Transfers	60,455	32,592
Sundry Income	27,090	16,560
	<b>89,490</b>	<b>88,204</b>
<b>7. Operating costs</b>		
Staff Related Costs (See note 8)	4,513,499	3,829,807
Depreciation	86,933	227,038
Marketing and Publicity	910	2,163
Directors' Remuneration	79,098	81,364
Audit Fees	17,000	15,000
Social Responsibility	36,098	28,894
AGM Expenses	76,201	40,531
General and Administrative Expenses	1,846,031	1,774,722
	<b>6,655,771</b>	<b>5,999,520</b>



**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

	2018	2017
<b>8. Staff related costs</b>		
Staff Remuneration	3,343,702	2,815,763
Staff Social Security Costs	335,313	278,974
Staff Provident Fund	194,534	161,254
Staff Training & Development	26,673	22,432
Staff Long Service Award	20,400	55,800
Staff Medical Costs	44,327	59,691
Staff Committee	-	60
Staff Retirement Benefit	24,000	24,000
Staff Annual Bonus	275,980	194,343
Staff Clothing Allowance	212,992	185,536
Staff Bungalow expenses	35,578	31,954
	<b>4,513,499</b>	<b>3,829,807</b>

**Relevant Statistics**

(i) Number of persons in employment of the Bank at reporting date	112	109
(ii) Average annual basic remuneration per staff	29,854	25,833
(iii) Average annual costs per staff	40,299	35,136

**9. Cash and Bank balances**

Cash Holdings	982,441	652,499
Apex Bank balance	814,837	441,668
	<b>1,797,278</b>	<b>1,094,167</b>

**10. Short term investments**

(Treasury Bills/Notes Redeemable within one year)

At Redemption Value	3,521,000	3,250,000
Less: Unearned Interest at Year End	(61,756)	(56,419)
<b>At Amortised Cost</b>	<b>3,459,244</b>	<b>3,193,581</b>
Fixed Deposit with UniCredit Ghana Limited	1,715,000	1,530,000
Fixed Deposit with CDH Savings & Loans	3,131,300	2,876,000
	<b>8,305,544</b>	<b>7,599,581</b>

**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

<b>11. Loans and advances</b>	<b>2018</b>	<b>2017</b>
<b>(a) Analysed by Type of Facility</b>		
Overdraft	1,940,178	1,894,554
Loans	14,881,754	12,691,782
	<b>16,821,932</b>	<b>14,586,336</b>
Less accumulated credit losses	(2,257,398)	(2,129,993)
	<b>14,564,533</b>	<b>12,456,343</b>

The above constitute loans and advances to customers and staff. The maximum amount due from officers of the bank during the year amounted to GHc 1,527,384 (2017: GHc 1,166,871)

**Relevant Statistics**

(i) Credit loss provision ratio	0.76%	0.77%
(ii) Cumulative credit loss provision ratio at the balance sheet date was	13.42%	14.60%
(iii) Percentage of Staff loans	9.08%	8.00%
(iv) Percentage of 20 Largest Exposure	9.24%	10.65%

**(b) Analysed by Type of Customer**

Staff	1,527,384	1,166,871
Private Enterprises	5,376,530	5,279,130
Individuals	9,918,018	8,140,336
	<b>16,821,932</b>	<b>14,586,336</b>
Less accumulated credit losses	(2,257,398)	(2,129,993)
	<b>14,564,533</b>	<b>12,456,343</b>

**(C) Analysed by Business Segment**

Agriculture	36,382	44,953
Commerce	2,399,831	2,415,359
Miscellaneous/Salaried Personnel	14,385,719	12,126,024
	<b>16,821,932</b>	<b>14,586,336</b>
Less accumulated credit losses	(2,257,398)	(2,129,993)
	<b>14,564,533</b>	<b>12,456,343</b>

**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

	2018	2017
<b>(d) Movement in the Provision for Credit Losses</b>		
Balance on the provision at 1st January	2,129,993	1,946,414
Provision related to the year	127,405	183,580
	<b>2,257,398</b>	<b>2,129,993</b>
Transfer to credit risk reserve	-	-
<b>Balance on the Provision at 31st December</b>	<b>2,257,398</b>	<b>2,129,993</b>

**(e) Credit Loss Expenses to Profit and Loss**

Gross provision related to the year	127,405	183,580
Unearned interest recovered	-	-
Transfer from credit insurance scheme	-	(71,000)
<b>Net Transferred to Profit and Loss</b>	<b>127,405</b>	<b>112,580</b>

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:

<b>Category</b>	<b>Percent</b>		
	<b>Provision</b>		
Current	1%	121,782	104,258
Other Loans Especially Mentioned (OLEM)	10%	35,103	16,479
Substandard	25%	72,051	39,307
Doubtful	50%	84,709	77,207
Loss	100%	1,943,754	1,892,742
		<b>2,257,398</b>	<b>2,129,993</b>

**12. Apex Bank Deposit Reserve**

At 1st January	913,162	763,036
Net Investment during the year	201,925	150,125
<b>At 31st December</b>	<b>1,115,086</b>	<b>913,162</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis*

	<b>2018</b>	<b>2017</b>
<b>13. Other assets</b>		
Unassigned Lines	269,373	244,114
Ezwich operations	56,064	6,505
Interest receivable	1,105,339	815,184
Receivable funds	132,638	132,533
Stationery Stock	64,133	59,528
Insurance Prepaid	52,405	51,509
Uncleared Effects	597,235	321,709
Inter-Agency Account	105,739	30,193
Rent Prepaid	164,790	178,012
Migration suspense	11,294	-
Office Account	274,796	278,532
Others	142,996	107,635
	<b>2,976,803</b>	<b>2,225,454</b>

**14. Equity Investments****(ARB Apex Bank Limited)**

	<b>Shares</b>	<b>Cost/Value</b>		
Ordinary Shares Held at ARB Apex Bank at Rev.	44,590	GHC 1.00	44,590	44,590
Additional Shares Purchased - Renounceable Issue	20,000	GHC 1.23	24,600	24,600
Bonus Shares Given	12,044	GHC 1.23	14,814	14,814
	<b>76,634</b>	<b>GHC 1.10</b>	<b>84,004</b>	<b>84,004</b>

**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

<b>15. Customer deposits</b>	<b>2018</b>	<b>2017</b>
Susu Saving Scheme	1,763,730	1,416,647
Time Deposit	3,851,967	2,157,518
Current Account	4,420,753	4,137,165
Savings Account	12,462,405	11,422,168
	<b>22,498,855</b>	<b>19,133,499</b>

**16. Dividend payable**

Balance at 1st January	656,453	563,020
Dividend Declared	276,234	276,107
	<b>932,687</b>	<b>839,127</b>
Dividend Paid	(196,182)	(182,675)
	<b>736,504</b>	<b>656,453</b>

**17. Current Tax Liability**

(iii) 2017 Year of Assessment (YOA)	Opening balance	Charged	Tax Credit / Payments	Closing balance
Year				
2018	144,195	292,677	(355,851)	81,021
2017	145,984	240,617	(242,406)	144,195
2016	(13,051)	233,359	(74,324)	145,984

*The tax computation is subject to verification by the Ghana Revenue Authority*

(iii) 2018 Year of Assessment (YOA)	Opening bal	Charge in P&L A/c	Tax Credit/Paym	Closing bal
Corporate Tax				
2005- 2008	4,343	(4,343)	-	-
2009	(14,105)	14,105	-	-
2010	(2,657)	2,657	-	-
2011	9,289	770	(10,059)	-
2012	-	3,474	(3,474)	-
2013	46,793	(26,600)	(20,193)	-
2014	2,246	-	(40,000)	(37,754)
	45,909	(9,937)	(73,726)	(37,754)
2015	-	57,203	(32,500)	24,703
	<b>45,909</b>	<b>47,266</b>	<b>(106,226)</b>	<b>(13,051)</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis*

<b>18. Creditors and accruals</b>	<b>2018</b>	<b>2017</b>
Subscription and periodicals	16,457	4,089
Cashiers' Efficiency & Risk Allowance	-	5,379
Accrued interest	87,621	42,809
Provision for Accountancy	5,000	3,500
Accrued Audit Fees	17,240	8,240
Retirement Benefits	62,318	62,678
Migration suspense	-	24,969
Staff long service	20,848	20,618
Payment Order	319,202	221,799
Deferred income	118,909	198,689
Hybrid Capital - MIDA Grant (See note b below)	-	1,945
Premium Payable/Credit Insurance Scheme (see note c below)	330,670	87,782
Bills Payable	17,500	17,500
Office Account	284,213	227,724
	<b>1,279,977</b>	<b>927,721</b>

**b. Hybrid Capital- MIDA Grant**

Fair Value of Office Equipment & Machinery	1,945	40,997
Amortised to other Income	(1,945)	(39,052)
	-	<b>1,945</b>

**c. Credit Insurance Scheme**

Balance Brought Forward	87,782	55,690
Related Money Market Investment	-	-
	<b>87,782</b>	<b>55,690</b>
Net Insurance Premium from customers	242,888	103,092
	<b>330,670</b>	<b>158,782</b>
Transfer to mitigation Credit Loss Provision	-	(71,000)
	<b>330,670</b>	<b>87,782</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis*

<b>19. Managed Funds</b>	<b>2018</b>	<b>2017</b>
CBRDP Fund	3,868	368
MOWAC Trading Fund	4,449	4,449
ADACF	68,074	68,074
Agro Processing Project Fund	7,500	7,500
Emergency Social Relief Fund	5,098	5,098
Food & Agriculture Budgetary Support Fund	13,629	13,629
Special Farmers' Loan Fund	22,070	22,070
MASLOC - MOWAC & MOF Fund	30,900	30,900
Fishmongers Association Fund	50	50
	<b>155,637</b>	<b>152,137</b>

The bank has entered into various management agreements with Governmental and other stakeholders for the management of the above funds.

**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

**20. Property & Equipment**

	Land & Building	Building Renovation	Office Equipment	Furniture & Fittings	Motor Vehicle	Total
<b>Cost</b>						
<b>At 01/01/18</b>	<b>2,571,634</b>	<b>215,792</b>	<b>810,084</b>	<b>136,638</b>	<b>293,864</b>	<b>4,028,012</b>
Additions	5,365	-	12,600	-	-	17,965
Revaluation surplus	104,000	-	-	-	-	104,000
<b>At 31/12/18</b>	<b>2,680,999</b>	<b>215,792</b>	<b>822,684</b>	<b>136,638</b>	<b>293,864</b>	<b>4,149,977</b>
<b>Depreciation</b>						
<b>At 01/01/18</b>	<b>102,652</b>	<b>186,622</b>	<b>781,424</b>	<b>126,375</b>	<b>272,331</b>	<b>1,469,404</b>
Charged	64,425	5,834	10,315	2,053	4,307	86,933
<b>At 31/12/18</b>	<b>167,077</b>	<b>192,456</b>	<b>791,739</b>	<b>128,428</b>	<b>276,637</b>	<b>1,556,337</b>
<b>Net Book Value</b>						
<b>At 31/12/18</b>	<b>2,513,922</b>	<b>23,336</b>	<b>30,945</b>	<b>8,210</b>	<b>17,226</b>	<b>2,593,640</b>
At 31/12/17	2,468,982	29,170	28,660	10,263	21,533	2,558,608

The cost of office Equipment include the amount of GHc 274,410 representing the fair value of certain machinery and equipment received from the Millennium Development authority (MIDA) in 2011. The first time financial disclosure of this was in 2013.



**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

<b>21. Statutory Reserve Fund</b>	<b>2018</b>	<b>2017</b>
<b>At January 1st</b>	<b>1,190,702</b>	<b>1,058,952</b>
Transferred from Income Surplus Account	194,039	131,750
<b>At December 31st</b>	<b>1,384,741</b>	<b>1,190,702</b>

The Statutory Reserve Fund is required under section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) to be set aside cumulatively from annual profits after tax. Depending on the ratio of the existing Statutory Reserve Fund to paid up capital, the proportion of after-tax profits required to be transferred to this reserve fund ranges from 12.5% to 50%

The bank in the year transferred the equivalent of 25% (2017: 25%) of net profit after tax to the Statutory Reserve Fund

<b>22. Building Reserve Fund</b>	<b>2018</b>	<b>2017</b>
<b>At January 1st</b>	-	-
Prior year adjustment	-	938,516
Transfers to and from income surplus	194,039	(938,516)
<b>At December 31st</b>	<b>194,039</b>	-

**23. Borrowings****(a) Short term and other borrowings**

Apex Bank Borrowings	199,980	133,340
<b>At 31st December</b>	<b>199,980</b>	<b>133,340</b>

**(b) Vehicle Loan**

At 1st January	13	25,012
Amount paid during the year	(13)	(24,999)
<b>At 31st December</b>	<b>-</b>	<b>13</b>

**(c) Apex Loan Summary**

Short term and other borrowings	199,980	133,340
Vehicle Loan	-	13
<b>At 31st December</b>	<b>199,980</b>	<b>133,353</b>

**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

<b>24. Capital surplus</b>	<b>2018</b>	<b>2017</b>
At January 1st	1,356,733	1,356,733
Revaluation Surplus	104,000	-
<b>At December 31st</b>	<b>1,460,733</b>	<b>1,356,733</b>
<b>Comprising</b>		
Unrealised appreciation on 20,000 Ordinary Shares held in ARB Apex Bank	42,590	42,590
Value of Bonus Shares in ARB Apex Bank	14,814	14,814
Revaluation of Land & Buildings (Head Office, Akosombo, Appiah Kubi's Building)	1,403,329	1,299,329
<b>At December 31st</b>	<b>1,460,733</b>	<b>1,356,733</b>

<b>25. Stated Capital</b>	<b>2018</b>		<b>2017</b>	
	<b>No. of Shares 000'</b>	<b>Amount</b>	<b>No. of Shares 000'</b>	<b>Amount</b>
<b>Authorised:</b>				
<b>Ordinary Shares @ 31st December</b>	70,000	-	70,000	-
<b>Issued for cash consideration</b>				
At January 1	58,112	856,701	50,102	725,046
Additions	3,518	97,028	8,011	131,656
	<b>61,630</b>	<b>953,729</b>	<b>58,112</b>	<b>856,701</b>
<b>Other than Cash</b>				
Capitalization Issue	5,247	23,386	5,247	23,386
Transfer from Capital Surplus	-	106,416	-	106,416
Transfer from Income Surplus	-	683,722	-	183,722
Transfer from Stabilization Fund	-	150,000	-	150,000
<b>At December 31st</b>	<b>66,877</b>	<b>1,917,253</b>	<b>63,359</b>	<b>1,320,225</b>

There is no unpaid liability on any shares. There are no calls or installments unpaid, and there are no treasury shares held.

	<b>2018</b>		<b>2017</b>	
<b>Capital Adequacy</b>	<b>Required By BOG</b>	<b>Actually Achieved</b>	<b>Required By BOG</b>	<b>Actually Achieved</b>
Adequacy Ratio	10%	25.21%	10%	21.04%

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis*

<b>26. Income surplus account</b>	<b>2018</b>	<b>2017</b>
At 1st January	1,916,302	858,643
Deferred Tax from Prior years	-	-
	<b>1,916,302</b>	<b>858,643</b>
Net Profit after Taxation for the year	776,158	527,000
<b>Balance before Statutory and other Transfers</b>	<b>2,692,460</b>	<b>1,385,643</b>
Transfer to Statutory Reserve	(194,039)	(131,750)
Dividend Payable	(276,234)	(276,107)
Transfer to Stated capital	(500,000)	-
Transfers to/from building fund	(194,039)	938,516
<b>At 31st December</b>	<b>1,528,147</b>	<b>1,916,302</b>

**27. Earnings per share**

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

	<b>2018</b>	<b>2017</b>
Profit attributable to ordinary shareholders	776,158	527,000
Weighted Average number of ordinary shares	64,949,002	58,009,833
<i>Basic Earnings per share (in Ghana Pesewa)</i>	<i>1.20</i>	<i>0.91</i>

*(Note: The bank had no category of dilutive potential ordinary shares at both reporting dates.*

*The diluted earnings per share is therefore the same as the basic earnings per share.)*

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis***28. Analysis of Financial Assets and Financial Liabilities**

	Financial assets at fair value	Fair value measured at amortized cost	Fair value measured through P&L	Loans and Receivables	Total Amount
<b>Financial Assets</b>					
Loan and Advances	-	-	-	14,564,533	14,564,533
Short Term Investment	-	8,305,544	-	-	8,305,544
Account Receivable	-	-	-	597,235	597,235
Equity Investment	-	-	84,004	-	84,004
Cash and Bank Balances	1,797,278	-	-	-	1,797,278
Deposit Reserves	1,115,086	-	-	-	1,115,086
<b>Total Financial Assets</b>	<b>2,912,364</b>	<b>8,305,544</b>	<b>84,004</b>	<b>15,161,768</b>	<b>26,463,681</b>
Total Non Financial Assets					4,973,208
					<b>31,436,889</b>
<b>Financial Liabilities</b>					
Customer Deposit on Demand					22,498,855
Managed Funds & Borrowing					355,617
Accruals and Bills Payables					1,279,977
<b>Total Financial Liabilities</b>					<b>24,134,450</b>
Total Non-Financial Liabilities					817,525
					<b>24,951,975</b>
Total Shareholders Fund					6,484,914
<b>Total Liabilities and Shareholder's Fund</b>					<b>31,436,889</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis***30. Exchange control**

All remittances from Ghana are subject to the agreement of the Exchange Control Authorities

**31. Shareholding Structure****(i) Directors' Shareholding**

The directors named below held the following number of ordinary shares in the Bank as at 31st December 2018

<b>Directors</b>	<b>No. of Shares</b>	<b>Percentage</b>
Kwabena Adjei	686,934	1.03%
Eric Baadu Agyemang	560,968	0.84%
Samuel Yao Katsekor	158,495	0.24%
Daniel Adu Appea	180,634	0.27%
Nathaniel K Afunhya	160,176	0.24%
Godfred Essel	103,775	0.16%
Martin Adu-Owusu (August - December, 2018)	57,465	0.09%
Christian Ani-Frimpong	126,505	0.19%

**(ii) Number of Shares Outstanding**

Earnings and dividend per share are based on 66,877,389 (2017: 63,359,495) ordinary share outstanding

**(iii) Number of Shareholders**

The Bank had a total of 7,110 ordinary shareholders at the reporting date and were categorized by the number of shares held as follows:

<b>Holdings</b>	<b>No. of Members</b>	<b>Total holdings</b>	<b>% Holdings</b>
1-1000	1,377	999,775	1.49
1,001-5,000	4,082	11,065,580	16.55
5,001-10,000	934	6,240,117	9.33
Exceeding 10,000	717	48,571,917	72.63
	<b>7,110</b>	<b>66,877,389</b>	<b>100</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis*

<b>(iv) List of Twenty (20) largest shareholders at 31st December 2018</b>	<b>No. of Shares</b>	<b>% Holdings</b>
1. Gyau Bismark Anyane	7,066,651	10.57
2. Osafo Adamu Jonas	2,506,243	3.75
3. Nartey Desmond Afutu	2,399,974	3.59
4. Sage Bancshares	1,948,860	2.91
5. Dadzie Samuel	1,886,011	2.82
6. Paarock Van Percy	1,254,930	1.88
7. Namusa Trust	1,247,889	1.87
8. James Allotey	1,111,030	1.66
9. Nartey Desiri Nartekie	1,024,974	1.53
10. Eshun Richard Sarbah	1,000,000	1.50
11. Kwabena Adjei	686,934	1.03
12. Samuel Bada	614,984	0.92
13. Eric Baadu Agyemang	560,968	0.84
14. Salome Appiah/Asante Emmanuel Ofori	532,388	0.80
15. Yaokumah Paul Kwasi	509,701	0.76
16. Nartey Sophie	500,000	0.75
17. Akyea-Obeng Timothy Kwaku	417,646	0.62
18. Odame Irene Mary	416,951	0.62
19. Ntim Benjamin Obuobi	371,029	0.55
20. Bredu Daniel Tetteh	344,458	0.52
<b>Total</b>	<b>26,401,621</b>	<b>39.48</b>
Others	40,475,768	60.52
	<b>66,877,389</b>	<b>100.00</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis*

<b>Gen. &amp; Admn Expenses</b>	<b>2018</b>	<b>2017</b>
Directors' Training Expenses	1,850	11,927
Board Meeting & Committee Expenses	130,983	141,150
Police Guard & Security	136,308	101,616
Recruitment Expenses	-	7,110
Travelling & Transport	81,704	64,768
Audit expenses	1,152	655
Legal & Professional Fees	3,738	18,931
Office Expenses	179,739	159,269
Printing & Stationery	62,530	34,280
Repairs & Maintenance	39,995	69,244
Rent & Rates	89,902	82,387
Communication (Postage & Telephone)	24,098	24,478
Insurance	79,071	68,452
Utilities (Electricity & Water)	186,799	206,405
Entertainment	-	-
Subscription & Periodicals	38,216	40,102
Motor Vehicle Running	137,600	114,158
Specie Expenses	39,223	27,080
Shortage in Till and round off	331	520
Loans Recovery	1,424	40,041
Scholarship Scheme	600	920
Generator Running	80,880	67,755
Agency expenses	1,100	1,100
Business promotion	53,295	30,150
Susu expenses	270,735	215,023
Accountancy charges	5,000	3,500
Bullion Van Loan Interest	-	3,612
Computerization	175,396	217,444
Cheque clearing expenses	24,363	22,646
	<b>1,846,031</b>	<b>1,774,722</b>

**Notes to the Financial Statements***All amounts expressed in Ghana Cedis***32. Tax Computation****Year of assessment - 2018****Basis Year (01/01/18 - 31//12/18)**

	2018	2017
<b>Profit before Tax</b>	<b>1,068,834</b>	<b>767,617</b>
Add/(Less)		
Depreciation	86,933	227,038
Credit Losses	127,405	112,580
Donations	36,098	28,894
Penalty	-	-
Bad Debt Written Off	-	-
<b>Assessable Income</b>	<b>1,319,270</b>	<b>1,136,129</b>
Less: Capital Allowances Utilised	(148,564)	(173,662)
<b>Chargeable Income</b>	<b>1,170,707</b>	<b>962,468</b>
<b>Tax Thereon @ 25%</b>	<b>292,677</b>	<b>233,359</b>



**Notes to the Financial Statements**

All amounts expressed in Ghana Cedis

**Capital Allowance Computation****Year of assessment - 2018****Basis Period (01/01/18-31/12/18)**

<b>Pool of Asset</b>	<b>Deprn. Allow. Rate</b>	<b>WDV 01/01/18</b>	<b>Additions</b>	<b>Total</b>	<b>Depreciation Allowance</b>	<b>WDV 31/12/18</b>
Pool 1 Computers	40%	6,030	-	6,030	(2,412)	3,618
Pool 2 Motor Vehicles	30%	46,527	-	46,527	(13,958)	32,569
Pool 3 Fixture/Equit'	20%	241,880	12,600	254,480	(50,896)	203,584
Pool 4 Building	10%	2,910	-	2,910	(291)	2,619
Pool 4 Building	10%	2,272	-	2,272	(227)	2,045
Pool 4 Building	10%	6,047	-	6,047	(605)	5,442
Pool 4 Building	10%	34,554	-	34,554	(3,455)	31,098
Pool 4 Building	10%	6,696	-	6,696	(670)	6,027
Pool 4 Building	10%	60,086	-	60,086	(6,009)	54,077
Pool 4 Building	10%	47,150	-	47,150	(4,715)	42,435
Pool 4 Building	10%	3,233	-	3,233	(323)	2,909
Pool 4 Building	10%	9,510	-	9,510	(951)	8,559
Pool 4 Building	10%	503	-	503	(503)	-
Pool 4 Building	10%	125,406	-	125,406	(12,541)	112,865
Pool 4 Building	10%	24,087	-	24,087	(2,409)	21,678
Pool 4 Building	10%	409,159	5,365	414,524	(41,452)	373,072
Pool 4 Building	10%	71,472	-	71,472	(7,147)	64,325
<b>TOTAL</b>		<b>1,097,522</b>	<b>17,965</b>	<b>1,115,487</b>	<b>(148,564)</b>	<b>966,923</b>
					<b>2018</b>	<b>2017</b>
Capital Allowance Unutilised at January 1st					-	-
Depreciation Allowance for the year					148,564	173,662
					<b>148,564</b>	<b>173,662</b>
Less: Utilised					(148,564)	(173,662)
Capital Allowance Unutilised at December 31st					-	-