

**ANUM RURAL BANK LIMITED**

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

# **Anum Rural Bank Limited**

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## **Reports and Financial Statements**

**For the year ended 31st December 2019**

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# Anum Rural Bank Limited

## Reports and Financial Statements

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### Corporate Information

The following Directors were in office during the financial year

#### **Board of Directors**

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Daniel Adu Appea	Board Chairman
Samuel Yao Katsekor	Board Vice Chairman
Nathaniel Kingsley Afunyah	Member
Edwin Kwabena Adjei	Member
Baadu Eric Agyemang	Member
Christian Ani Frimpong	Member
Martin Adu-Owusu	Member

#### **Secretary**

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Nathaniel Kingsley Afunyah  
P.O.Box 15, Anum

#### **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  
Hse No. 12 Kofi Adotei Road, Sahara - Dansoma  
P. O. Box AN 7872 Accra-North  
Tel: 0244668786 / 0208787273

## **STATEMENT OF DIRECTORS RESPONSIBILITIES**

The Company's Act, 2019 (Act 992) 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 Bank 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 Bank which enable them to ensure that, the financial statements comply with the Company's Act 2019 (Act 992), the Banks and Specialized 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

**REPORT OF THE DIRECTORS  
TO THE MEMBERS OF ANUM RURAL BANK LIMITED**

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The Board of Directors have the pleasure to submit this report on the Bank for the year ended 31st December 2019.

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 Bank 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 11 to 43 and summarized below:

	<b>2019</b>	<b>2018</b>
	<b>GH¢</b>	<b>GH¢</b>
<b>Profit before tax for the year</b>	<b>317,329</b>	<b>1,068,834</b>
From which is deducted a tax charge of	-	(292,677)
<b>Resulting in a profit after tax of</b>	<b>317,329</b>	<b>776,158</b>
To which must be added the balance brought forward on the income surplus account at the beginning of the year of	1,528,147	1,916,302
<b>Leaving a balance before statutory and other transfers of</b>	<b>1,845,475</b>	<b>2,692,460</b>
From which the following transfers were made:		
Dividend declared	(293,081)	(276,234)
Transfer to statutory reserve in accordance with section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)	(39,666)	(194,039)
Transfer to building reserve fund	(100,000)	(194,039)
Transfer to stated capital	-	(500,000)
<b>Leaving a balance on the income surplus account of</b>	<b>1,412,728</b>	<b>1,528,147</b>

**DIVIDEND**

The Directors do not recommend the payment of dividend for the year ending 31<sup>st</sup> December, 2019. (Dividend declared in 2018 was **GH¢0.0045** per share amounting to **GH¢293,081**)

**RETIREMENT AND RE-ELECTION OF DIRECTORS**

In accordance with Company's Act 2019, (Act 992) and the regulations of the Bank, Messrs Nathaniel Kingsley Afunyah, Baadu Eric Agyemang and Edwin Kwabena Adjei retired by rotation and being eligible to offer themselves for re-election.

**AUDITORS**

Your external auditors, Messrs Owiredu-Yeboah Consult will continue in office as auditors of the Bank in accordance with section 139(5) of the Companies Act 2019, (Act 992)

**APPROVAL OF THE FINANCIAL STATEMENTS**

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

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Director

.....

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 2019, 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 43.

#### **Opinion**

In our opinion, these financial statements give a true and fair view of the financial position of Anum Rural Bank Limited at 31 December 2019, 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, 2019 (Act 992), the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and the Anti-Money Laundering Act, 2008, (Act 749)

#### **Basis of 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.

#### **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.

#### *Key Audit Matter - Impairment of Loans and Advances*

The impairment of financial assets (loans and advances) were determined on an expected credit loss basis under IFRS 9 as against the incurred loss model under IAS 39. IFRS 9 is a new and complex accounting standard which requires considerable judgment and interpretation in its interpretation. These

judgments were key in the development of the new models which have been built and implemented to measure the expected credit losses on relevant financial assets (loans and advances) measured at amortized cost.

There is an increase in the data inputs required by these IFRS 9 models. The data is from a number of systems that have not been used previously for the preparation of the accounting records. This increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the model, as the bank has not yet had formal training on the subject matter. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Expected credit losses (ECLs) are required to incorporate forward-looking information, reflecting management's view of potential future economic environment. The complexity involved requires management to develop new methodologies involving the use of significant judgments.

We have focused on the following significant judgments and estimates which could give rise to material or management bias:

- Probability of Default – PD: (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time)
- Exposure At Default – EAD: (amount expected to be owed the Bank at the time of default)
- Loss Given Default – LGD: (percentage exposure at risk that is not expected to be recovered in an event of default)
- Forward looking economic information and scenarios
- Completeness, accuracy and integrity of data used in the model and the ECL calculations

*How our audit addressed the key audit matter*

We obtained the loan portfolio of the bank at the end of reporting period, tested the data, reconciling it to the underlying records.

We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date.

We assessed the information obtained, aged the balances and determined the following:

- Probability of default
- Exposure of default
- Loss given default

We assumed reasonable looking information to be incorporated into the calculation of the expected credit losses and weighted the loans and advances into stages

**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 2019 (Act 992) and the Banks and Specialized 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, 2019 (Act 992), the Banks and Specialized 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, 2019(Act 992)***

- 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/2020/144)*  
*Chartered Accountants*  
*Sahara-Dansoman*  
*P.O.Box AN 7872 Accra North*  
*Accra*

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# Anum Rural Bank Limited

## Statement of comprehensive income

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### For the year ended 31st December 2019

All amounts expressed in Ghana Cedis

	Notes	2019	2018
Interest income	3	6,253,158	7,079,349
Interest expense	4	(1,044,902)	(794,539)
<b>Net interest income</b>		<b>5,208,257</b>	<b>6,284,811</b>
Commissions and fees	5	1,897,997	1,477,710
Other operating income	6	246,505	89,490
<b>Total operating income</b>		<b>7,352,759</b>	<b>7,852,010</b>
Charge for credit losses		(199,834)	(127,405)
Operating costs	7	(6,835,597)	(6,655,771)
<b>Profit before taxation</b>		<b>317,329</b>	<b>1,068,834</b>
Tax provision	32	-	(292,677)
<b>Profit after tax</b>		<b>317,329</b>	<b>776,158</b>
<b>Earnings per share (EPS)</b>			
Basic and diluted earnings per share (in GHP)	27	0.47	1.20

# Anum Rural Bank Limited

## Statement of Financial Position

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As at 31st December 2019

All amounts expressed in Ghana Cedis

<b>Assets</b>	<b>Notes</b>	<b>2019</b>	<b>2018</b>
Cash and bank balances	9	2,338,354	1,797,278
Short term investments	10	10,291,679	8,305,544
Loans and advances	11	15,905,256	14,564,533
Apex bank deposit reserve	12	1,303,782	1,115,086
Equity investments	14	84,004	84,004
Other assets	13	3,599,158	2,976,803
Current tax asset	17	40,686	-
Property, plant and equipment	20	2,624,556	2,593,640
<b>Total Assets</b>		<b>36,187,477</b>	<b>31,436,889</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Customer deposits	15	26,591,377	22,498,855
Managed funds	19	152,883	155,637
Dividend payable	16	833,866	736,504
Current tax liability		-	81,021
Creditors and accruals	18	2,004,291	1,279,977
Borrowings	23	161,108	199,980
<b>Total Liabilities</b>		<b>29,743,525</b>	<b>24,951,975</b>
<b>Equity</b>			
Stated capital	25	1,956,044	1,917,253
Statutory reserve fund	21	1,424,408	1,384,741
Building fund	22	294,039	194,039
Capital surplus	24	1,356,733	1,460,733
Income surplus	26	1,412,728	1,528,147
<b>Total Equity</b>		<b>6,443,952</b>	<b>6,484,914</b>
<b>Total liabilities and equity</b>		<b>36,187,477</b>	<b>31,436,889</b>

Net Asset Per Share (GHC per Share)

0.10

0.10

.....  
Director

.....  
Director

.....  
Date

.....  
Date

# Anum Rural Bank Limited

## Statement of cashflow

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### For the year ended 31st December 2019

All amounts expressed in Ghana Cedis

	2019	2018
<b>Profit before tax</b>	<b>317,329</b>	<b>1,068,834</b>
Depreciation	167,730	86,933
Provision for credit Losses	(199,834)	(127,405)
Loss on disposal	44,000	-
Adjustment-revaluation surplus & rounding off	(104,001)	1
<b>Cash flow before changes in assets &amp; liabilities</b>	<b>225,224</b>	<b>1,028,363</b>
<b>Changes in assets and liabilities</b>		
Changes in loans and advances	(1,140,889)	(1,980,786)
Changes in other assets	(622,356)	(751,349)
Changes in creditors and accruals	724,314	352,256
Changes in customer deposits	4,092,522	3,365,357
<b>Cashflow from operating activities before dividend &amp; tax</b>	<b>3,278,815</b>	<b>2,013,842</b>
<b>Dividends and tax</b>		
Tax paid	(121,707)	(355,851)
Dividend paid	(195,719)	(196,182)
	<b>2,961,389</b>	<b>1,461,809</b>
<b>Investing activities</b>		
Net investments in Apex Deposit Reserve	(188,696)	(201,925)
Purchase of property and equipment	(492,647)	(17,965)
Proceeds from disposal	250,000	-
	<b>(431,342)</b>	<b>(219,890)</b>
<b>Financing</b>		
Proceeds from issue of shares	38,791	97,028
Borrowings	(38,872)	66,627
(Decrease)/Increase in managed funds	(2,754)	3,500
	<b>(2,836)</b>	<b>167,155</b>
Net Increase in cash and cash equivalents	2,527,211	1,409,074
Cash and cash equivalents at January 1	10,102,823	8,693,749
<b>Cash and cash equivalents at December 31</b>	<b>12,630,033</b>	<b>10,102,823</b>
<b>Analysis of cash and cash equivalents as shown</b>		
Cash balance	1,371,472	982,441
Apex bank balance	966,882	814,837
Short term investments	10,291,679	8,305,544
	<b>12,630,033</b>	<b>10,102,823</b>

## Anum Rural Bank Limited

### Statement of changes in equity

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#### For the year ended 31st December 2019

All amounts expressed in Ghana Cedis

	Stated Capital	Capital Surplus	Statutory Reserve Fund	Other Reserve Fund	Income Surplus	Total
<b>2019</b>						
<b>1/1/2019</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>
Issues for shares	38,791	-	-	-	-	38,791
Transfers-income surplus	-	-	-	-	-	-
Transfers-dividend payable	-	-	-	-	(293,081)	(293,081)
Profit/loss for the year	-	-	-	-	317,329	317,329
Transfers-income surplus	-	-	39,666	100,000	(139,666)	-
Capital surplus	-	(104,000)	-	-	-	(104,000)
<b>31/12/19</b>	<b>1,956,044</b>	<b>1,356,733</b>	<b>1,424,408</b>	<b>294,039</b>	<b>1,412,728</b>	<b>6,443,952</b>
<b>2018</b>						
<b>1/1/2018</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>
Issues for shares	97,028	-	-	-	-	97,028
Profit/loss for the year	500,000	-	-	-	(500,000)	-
Transfers-dividend payable	-	-	-	-	(276,234)	(276,234)
Transfer-income surplus	-	-	-	-	776,158	776,158
Transfer-income surplus	-	-	194,039	194,039	(388,079)	-
Capital surplus	-	104,000	-	-	-	104,000
<b>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>

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 (the Bank) is a limited liability company incorporated and domiciled in Ghana. The Bank is 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 and its registered address is Bank Premises, P.O. Box 15, Anum, Eastern Region, Ghana.

### **1.2 Foreign Currency Translation**

#### **(i) Functional and Presentation Currency**

The financial statements are presented in Ghana Cedis (GH¢) which is the Bank's functional and presentation currency. Except as indicated, the financial information in Ghana Cedi has been rounded to the nearest Ghana Cedi

#### **(ii) Transactions and Balances**

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognized in profit or loss

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

The financial statements of the Bank for the year ended 31<sup>st</sup> December 2019 incorporate the principal accounting policies set out below. The policies have been consistently applied to all years, unless otherwise stated.

### **2.1 Basis of preparation**

All the Material information required by legislation, particularly the Companies Act 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) have also been disclosed or presented in the appropriate context.

For the Companies Act, 2019 (Act 992) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements. These financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period.



### **2.1.1 Changes in accounting policies and disclosures**

#### **New Standards, amendments and interpretations adopted by the Bank**

##### **(i) IFRS 9 – Financial Instruments**

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Bank did not earlier adopt IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. For notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

##### **(ii) IFRS 15, Revenue from contracts with customers**

The Bank has adopted IFRS 15 Revenue from contracts with customers from which resulted in changes in accounting policies. In accordance with the transition provisions of IFRS 15, the Bank has adopted the new rules with the cumulative effect method. However, no adjustments were passed on adoption of IFRS 15. There was no material effect on revenue by the Bank on the adoption of IFRS 15

### **2.2 Income Recognition**

#### **Interest Income**

Interest income are recognized 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 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.

## **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.

During the period under review, the Internal Model based on IRFS has been applied to provide for credit losses with the underlining assumptions:

### Internal Model and Assumptions based on IFRS 9

- The Microfinance loans share similar risk characteristics. The loans are describes as "Group Loans", normally very homogeneous and within the same geographical area. Almost all the loans are credit impaired because they are past due and other detrimental effect on future cash flows. Their stage categorization is at stage 3, for which Lifetime Expected Credit Losses (ECL) will be recognized.
- All of the Loans were originated based on the prevailing interest rate fixed by the Bank based on the Bank of Ghana's Base rate
- Loans which are categorized under "Current" are those Loan Balances which have no significant increase in credit risk. Such current balances are stage 1 and 12 months ECL will be recognized.
- Loans which are not categorized under "Current" as well as not impaired or a "Loss" because of past due status will be assumed as significant increase in credit risk but not credit impaired. Such loans will be categorized as stage 2 and a lifetime ECL will be recognized.
- The Loans are aged based on historical experience into stage 1, 2 and 3
- The historical categorization of the Loan Balance ageing in prior years is as follows:

S/N	Category	Provision (%)
1	Current	1
2	Other Loans Especially Mentioned (OLEM)	10
3	Substandard	25
4	Doubtful	50
5	Loss	100

- The ageing balances of the Bank will be used for the computation of Expected Credit Losses (ECL). The loan types have been categorized into Personal, Trading/Commercial, Staff, Ex-staff, Directors, Ex-Directors, Agriculture and Group Loans which are the Microfinance.
- Staffs of the Bank have not had formal training in the IFRS computation of Expected Credit Losses. The computation is constrained by the fact that additional information or triggers such as bankruptcy, death, loss of jobs, re-location, collateral etc. about the loan types were not obtained. They were all generalized based on balances obtained from the Bank
- Forward looking information such as the inflation and interest rates were analyzed at the end of 31<sup>st</sup> December 2019. Inflation was 7.9% and the Bank rate was 16%. These rates were stable since inflation reduced from 8.2 to 7.9%. A forward rate of 10% was assumed since the rate during the period had led to default in loan payments due to loss of job and unemployment. 10% was used to adjust the historical figures at the Probability of Default (PD) lifetime ECL. For stage 1, a future Forward rate of 0.5% will be assumed and added to the historical rate of 1% to arrive at 1.5%. For stage 2, a weighted average rate for provision rates in OLEM, Substandard and Doubtful will be used as historical and will be adjusted by the future rate of 10% to arrive at the PD. The Loss was still assumed at the rate of 100%
- The Loss Given Default (LGD) will be assumed at the Bank Monetary Policy Rate of 16% as at the end of 31<sup>st</sup> December 2019 due to constraint as stated. This will be applied for all the loan types. The Loss Given Default is what the business will lose if a borrower defaults. It is the difference

between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as percentage of Exposure at Default (EAD)

- ECL is computed as EAD X LGD X PD. Loss Given Default for all Loans was estimated at 16%. Probability of Default at stage 1 had a forward rate of 0.5% since the Loan was current and the Bank had introduced new policies to collect debts. Stage 1 PD was 1.5%, Stage 2:  $85/3 = 28 + 10 = 38\%$ , Stage 3 PD remained at 100%.
- Below is the ageing figures for the year ended 31<sup>st</sup> December 2019

<b>Loan Type</b>	<b>Total</b>	<b>0-30 days (Current)</b>	<b>31-120 days (OLEM)</b>	<b>121-180 days (Substandard)</b>	<b>181-210 days (Doubtful)</b>	<b>Beyond 211 days (Loss)</b>
Personal	11,778,588	11,140,943	129,057	41,733	3,075	463,781
Commercial	895,787	741,193	14,127	-	121,804	18,663
Microfinance	510,438	62,999	-	-	-	447,439
Directors	58,812	58,812	-	-	-	-
Staff	1,988,546	1,988,546	-	-	-	-
Overdraft	1,419,773	1,419,773	-	-	-	-
<b>Total</b>	<b>16,651,944</b>	<b>15,412,266</b>	<b>143,184</b>	<b>41,733</b>	<b>124,879</b>	<b>929,883</b>

## **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 2019 (Act 992). 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 company's Act 2019 (Act 992) 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 FINANCIAL RISK MANAGEMENT**

The Bank's activities expose the business to risks. These risks are managed in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risk from its use of financial instruments:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk

The Bank continues to assess its overall risk management framework and governance structure. The notes below present information about the Bank's exposure to each of the above risk.

### **(i)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.

### **Credit Risk Management**

Credit risk is the single largest risk for the Bank's business; the Directors therefore carefully manage the exposure to credit risk. 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.

The Bank has well documented policies and procedures for managing credit risk in the Bank's operational manual. To manage the level of credit risk, the Bank deals with customers of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the customer. The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances

## **(ii)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 which affects the Bank's income or the value of its holdings of financial instruments.

### **Market Risk Management**

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.

In the event when the Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates, the Bank mitigates these risk principally from customer driven transactions

## **(iii)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.

### **Liquidity Risk Management**

The Bank maintains liquidity limit imposed by its regulator, the Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. 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

## **(iv)Operational Risk**

Operational risk is direct or indirect loss resulting from inadequate or failed internal and processes, staff and systems.

### **Operational Risk Management**

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

# Anum Rural Bank Limited

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	2019	2018
<b>3. Interest Income</b>		
Micro Finance Income	69,681	357,180
Government Securities & Other Investments	873,714	1,892,467
Loans and Advances	5,309,764	4,829,702
	<b>6,253,158</b>	<b>7,079,349</b>

<b>4. Interest Expense</b>		
Fixed Deposit Accounts	673,704	435,267
Interest on Managed Fund	-	15,845
Savings Accounts	371,197	343,427
	<b>1,044,902</b>	<b>794,539</b>

<b>5. Commission and Fees</b>		
Commission on Turnover	1,130,620	728,523
Commitment Fees	767,377	749,186
	<b>1,897,997</b>	<b>1,477,710</b>

<b>6. Other operating income</b>		
Amortised Mida Fund	-	1,945
Loss on disposal (20a)	(44,000)	-
Credit insurance scheme	200,000	-
Commission on Electronic Transfers	61,802	60,455
Sundry Income	28,703	27,090
	<b>246,505</b>	<b>89,490</b>

<b>7. Operating costs</b>		
Staff Related Costs (See note 8)	4,468,808	4,513,499
Depreciation	167,730	86,933
Marketing and Publicity	1,347	910
Directors' Remuneration	70,959	79,098
Audit Fees	17,000	17,000
Social Responsibility	27,230	36,098
AGM Expenses	64,782	76,201
General and Administrative Expenses	2,017,741	1,846,031
	<b>6,835,597</b>	<b>6,655,771</b>

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	2019	2018
<b>8. Staff related costs</b>		
Staff Remuneration	3,556,583	3,343,702
Staff Social Security Costs	335,562	335,313
Staff Provident Fund	196,281	194,534
Staff Training & Development	33,769	26,673
Staff Long Service Award	20,400	20,400
Staff Medical Costs	51,207	44,327
Staff Retirement Benefit	24,000	24,000
Staff Annual Bonus	-	275,980
Staff Clothing Allowance	219,645	212,992
Staff Bungalow expenses	31,361	35,578
	<b>4,468,808</b>	<b>4,513,499</b>

## Relevant Statistics

(i) Number of persons in employment of the Bank at reporting date	113	112
(ii) Average annual basic remuneration per staff	31,474	29,854
(iii) Average annual costs per staff	39,547	40,299

## 9. Cash and Bank balances

Cash Holdings	1,371,472	982,441
Apex Bank balance	966,882	814,837
	<b>2,338,354</b>	<b>1,797,278</b>

## 10. Short term investments

(Treasury Bills/Notes Redeemable within one year)

At Redemption Value	4,523,000	3,521,000
Less: Unearned Interest at Year End	(95,842)	(61,756)
<b>At Amortised Cost</b>	<b>4,427,158</b>	<b>3,459,244</b>
Fixed Deposit with UniCredit Ghana Limited	2,146,970	1,715,000
Fixed Deposit with CDH Savings & Loans	3,717,551	3,131,300
	<b>10,291,679</b>	<b>8,305,544</b>

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## Notes to the Financial Statements

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<b>11. Loans and advances</b>	<b>2019</b>	<b>2018</b>
<b>(a) Analysed by Type of Facility</b>		
Overdraft	1,977,624	1,940,178
Loans	16,488,864	14,881,754
	<b>18,466,488</b>	<b>16,821,932</b>
Loans write offs (Non-Performing Loans)	(1,531,111)	-
Loans write offs (Reversal from Loan A/C)	(104,000)	-
Less accumulated credit losses	(926,122)	(2,257,398)
	<b>15,905,256</b>	<b>14,564,533</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 1,992,118.87 (2018: GHc 1,527,384)

### Relevant Statistics

(i) Credit loss provision ratio	1.08%	0.76%
(ii) Cumulative credit loss provision ratio at the balance sheet date was	5.02%	13.42%
(iii) Percentage of Staff loans	10.79%	9.08%
(iv) Percentage of 20 Largest Exposure	8.41%	9.24%

### (b) Analysed by Type of Customer

Staff	1,992,119	1,527,384
Private Enterprises	4,574,146	5,376,530
Individuals	11,900,223	9,918,018
	<b>18,466,488</b>	<b>16,821,932</b>
Loans write offs (Non-Performing Loans)	(1,531,111)	-
Loans write offs (Reversal from Loan A/C)	(104,000)	-
Less accumulated credit losses	(926,122)	(2,257,398)
	<b>15,905,256</b>	<b>14,564,533</b>

### (C) Analysed by Business Segment

Agriculture	33,343	36,382
Commerce	4,540,804	2,399,831
Miscellaneous/Salaried Personnel	13,892,342	14,385,719
	<b>18,466,488</b>	<b>16,821,932</b>
Loans write offs (Non-Performing Loans)	(1,531,111)	-
Loans write offs (Reversal from Loan A/C)	(104,000)	-
Less accumulated credit losses	(926,122)	(2,257,398)
	<b>15,905,256</b>	<b>14,564,533</b>

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	2019	2018
<b>(d) Movement in the Provision for Credit Losses</b>		
Balance on the provision at 1st January	2,257,398	2,129,993
Loan write offs	(1,531,111)	-
Provision for the year	199,834	127,405
	<b>926,122</b>	<b>2,257,398</b>

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

Provision for the year	199,834	127,405
	<b>199,834</b>	<b>127,405</b>

The provision for Expected Credit Losses (ECL) for the year ended 31st December have been computed within the context and guidelines of IFRS 9.

The Loans and advances have been categorized and aged, and have been assessed based on an Internal model and assumptions and grouped into stage 1, 2 and 3, based on their ageing analysis.

The ECL for the year is given as Exposure at Default X Loan Given Default x Probability of Default (EAD X LGD X PD)

### Year 2019

Loan Category	Stage	EAD	LGD (%)	PD (%)	ECL
<b>Personal</b>	1	11,140,943	16.00%	1.50%	<b>26,738</b>
	2	173,864	16.00%	38.00%	<b>10,571</b>
	3	463,781	16.00%	100.00%	<b>74,205</b>
<b>Commercial</b>	1	741,193	16.00%	1.50%	<b>1,779</b>
	2	135,931	16.00%	38.00%	<b>8,265</b>
	3	18,663	16.00%	100.00%	<b>2,986</b>
<b>Microfinance</b>	1	62,999	16.00%	1.50%	<b>151</b>
	3	447,439	16.00%	100.00%	<b>71,590</b>
<b>Directors</b>	1	58,812	16.00%	1.50%	<b>141</b>
<b>Staff</b>	1	1,988,546	16.00%	0.00%	-
<b>Overdraft</b>	1	1,419,773	16.00%	1.50%	<b>3,407</b>
<b>Total</b>		<b>16,651,944</b>			<b>199,834</b>

### Year 2018

Category	Percent Provision	Accumulated Provision
Current	1%	121,782
Other Loans Especially Mentioned (OLEM)	10%	35,103
Substandard	25%	72,051
Doubtful	50%	84,709
Loss	100%	1,943,754
		<b>2,257,398</b>

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	2019	2018
<b>12. Apex Bank Deposit Reserve</b>		
At 1st January	1,115,086	913,162
Net Investment during the year	188,696	201,925
<b>At 31st December</b>	<b>1,303,782</b>	<b>1,115,086</b>

## 13. Other assets

Unassigned Lines	9,321	269,373
Ezwich operations	4,842	56,064
Interest receivable	891,626	1,105,339
Receivable funds	133,650	132,638
Stationery Stock	97,151	64,133
Insurance Prepaid	57,957	52,405
Uncleared Effects	1,389,110	597,235
Inter-Agency Account	218,445	105,739
Rent Prepaid	226,541	164,790
Migration suspense	30,121	11,294
Office Account	433,440	274,796
Others	106,955	142,996
	<b>3,599,158</b>	<b>2,976,803</b>

## 14. Equity Investments

(ARB Apex Bank Limited)

	Shares	Cost/Value		
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>

## 15. Customer deposits

Susu Saving Scheme	2,160,063	1,763,730
Time Deposit	5,170,578	3,851,967
Current Account	5,186,873	4,420,753
Savings Account	14,073,863	12,462,405
	<b>26,591,377</b>	<b>22,498,855</b>



# Anum Rural Bank Limited

## Notes to the Financial Statements

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	2019	2018
<b>16. Dividend payable</b>		
Balance at 1st January	736,504	656,453
Dividend Declared	293,081	276,234
	<b>1,029,585</b>	<b>932,687</b>
Dividend Paid	(195,719)	(196,182)
	<b>833,866</b>	<b>736,504</b>

## 17. Current Tax Liability

(iii) 2019 Year of Assessment (YOA) Year	Opening balance	Charged	Tax Credit / Payments	Closing balance
<b>2019</b>	<b>81,021</b>	-	(121,707)	<b>(40,686)</b>
2018	<b>144,195</b>	292,677	(355,851)	<b>81,021</b>
2017	<b>145,984</b>	240,617	(242,406)	<b>144,195</b>
2016	<b>(13,051)</b>	233,359	(74,324)	<b>145,984</b>

*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/Paymen	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>

# Anum Rural Bank Limited

## Notes to the Financial Statements

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<b>18. Creditors and accruals</b>	<b>2019</b>	<b>2018</b>
Subscription and periodicals	-	16,457
Accrued interest	138,350	87,621
Provision for Accountancy	-	5,000
Accrued Audit Fees	8,740	17,240
Retirement Benefits	86,318	62,318
Staff long service	13,418	20,848
Payment Order	199,229	319,202
Deferred income	349,440	118,909
Premium Payable/Credit Insurance Scheme <b>(18a)</b>	232,097	330,670
Bills Payable	17,500	17,500
Office Account	956,540	284,213
Stabilization reserve	2,659	-
	<b>2,004,291</b>	<b>1,279,977</b>

### **18a. Credit Insurance Scheme**

Balance Brought Forward	330,670	87,782
Related Money Market Investment	-	-
	<b>330,670</b>	<b>87,782</b>
Net Insurance Premium from customers	101,427	242,888
	<b>432,097</b>	<b>330,670</b>
Transfer to other income	(200,000)	-
	<b>232,097</b>	<b>330,670</b>

### **19. Managed Funds**

CBRDP Fund	-	3,868
MOWAC Trading Fund	4,449	4,449
ADACF	61,999	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	26,885	22,070
MASLOC - MOWAC & MOF Fund	30,900	30,900
Fishmongers Association Fund	2,423	50
	<b>152,883</b>	<b>155,637</b>

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

# Anum Rural Bank Limited

## Notes to the Financial Statements

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### 20. Property & Equipment

Cost	Land & Building	Capital Work In Progress-	Building Renovation	Office Equipment	Furniture & Fittings	Motor Vehicle	Total
<b>1/1/2019</b>	<b>2,680,999</b>	<b>-</b>	<b>215,792</b>	<b>822,684</b>	<b>136,638</b>	<b>293,864</b>	<b>4,149,977</b>
Reclass.	(5,365)	5,365	-	-	-	-	-
<b>Balance Restated</b>	<b>2,675,634</b>	<b>5,365</b>	<b>215,792</b>	<b>822,684</b>	<b>136,638</b>	<b>293,864</b>	<b>4,149,977</b>
Additions	7,991	87,864	115,744	222,806	38,941	19,300	492,647
Disposal	(294,000)	-	-	-	-	-	(294,000)
<b>31/12/19</b>	<b>2,389,625</b>	<b>93,229</b>	<b>331,536</b>	<b>1,045,490</b>	<b>175,579</b>	<b>313,164</b>	<b>4,348,624</b>

### Depreciation

<b>1/1/2019</b>	<b>167,077</b>	<b>-</b>	<b>192,456</b>	<b>791,739</b>	<b>128,428</b>	<b>276,637</b>	<b>1,556,337</b>
Charged	59,741	-	27,816	63,438	9,430	7,305	167,730
<b>31/12/19</b>	<b>226,818</b>	<b>-</b>	<b>220,272</b>	<b>855,177</b>	<b>137,858</b>	<b>283,943</b>	<b>1,724,067</b>

### Net Book Value

<b>31/12/19</b>	<b>2,162,807</b>	<b>93,229</b>	<b>111,264</b>	<b>190,313</b>	<b>37,721</b>	<b>29,221</b>	<b>2,624,556</b>
31/12/18	2,513,922	-	23,336	30,945	8,210	17,226	2,593,640

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

### 20(a). Disposal Account

2019

2018

#### Asset: Property Legally Acquired (Appiah Kubi's Building)

<b>Cost (Revalued)</b>	<b>294,000</b>	<b>-</b>
Accumulated Depreciation	-	-
<b>Carrying Value</b>	<b>294,000</b>	<b>-</b>
Proceeds from disposal	250,000	-
<b>Profit/(Loss on disposal)</b>	<b>(44,000)</b>	<b>-</b>

# Anum Rural Bank Limited

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<b>21. Statutory Reserve Fund</b>	<b>2019</b>	<b>2018</b>
<b>At January 1st</b>	<b>1,384,741</b>	<b>1,190,702</b>
Transferred from Income Surplus Account	-	194,039
<b>At December 31st</b>	<b>1,384,741</b>	<b>1,384,741</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 nil (2018: 25%) of profit after tax to the Statutory Reserve Fund

<b>22. Building Reserve Fund</b>	<b>2019</b>	<b>2018</b>
<b>At January 1st</b>	<b>194,039</b>	-
Transfers to and from income surplus	100,000	194,039
<b>At December 31st</b>	<b>294,039</b>	<b>194,039</b>

## 23. Borrowings

### Short term and other borrowings

Apex Bank Borrowings	161,108	199,980
<b>At 31st December</b>	<b>161,108</b>	<b>199,980</b>

## 24. Capital surplus

At January 1st	1,460,733	1,356,733
Revaluation Surplus	(104,000)	104,000
<b>At December 31st</b>	<b>1,356,733</b>	<b>1,460,733</b>

### Comprising

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	1,299,329	1,403,329
<b>At December 31st</b>	<b>1,356,733</b>	<b>1,460,733</b>

# Anum Rural Bank Limited

## Notes to the Financial Statements

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25. Stated Capital	2019		2018	
	No. of Shares 000'	Amount	No. of Shares 000'	Amount
<b>Authorised:</b>				
<b>Ordinary Shares @ 31st December</b>	1,000,000	-	70,000	-
<b>Issued for cash consideration</b>				
At January 1	61,630	953,729	58,112	856,701
Additions	3,518	38,791	3,518	97,028
	<b>65,148</b>	<b>992,520</b>	<b>61,630</b>	<b>953,729</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	-	683,722
Transfer from Stabilization Fund	-	150,000	-	150,000
<b>At December 31st</b>	<b>70,395</b>	<b>1,956,044</b>	<b>66,877</b>	<b>1,917,253</b>

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

Capital Adequacy	2019		2018	
	Required By BOG	Actually Achieved	Required By BOG	Actually Achieved
Adequacy Ratio	10%	20.76%	10%	25.21%

# Anum Rural Bank Limited

## Notes to the Financial Statements

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<b>26. Income surplus account</b>	<b>2019</b>	<b>2018</b>
At 1st January	1,528,147	1,916,302
Deferred Tax from Prior years	-	-
	<b>1,528,147</b>	<b>1,916,302</b>
Profit/(Loss) for the year	317,329	776,158
<b>Balance before Statutory and other Transfers</b>	<b>1,845,475</b>	<b>2,692,460</b>
Transfer to Statutory Reserve	(39,666)	(194,039)
Dividend Payable	(293,081)	(276,234)
Transfer to Stated capital	-	(500,000)
Transfers to building fund	(100,000)	(194,039)
<b>At 31st December</b>	<b>1,412,728</b>	<b>1,528,147</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>2019</b>	<b>2018</b>
Profit attributable to ordinary shareholders	317,329	776,158
Weighted Average number of ordinary shares	66,948,484	64,949,002

*Basic Earnings per share (in Ghana Pesewa)* 0.47 0.91

*(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.)*

# Anum Rural Bank Limited

## Notes to the Financial Statements

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### 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	-	-	-	15,905,256	15,905,256
Short Term Investment	-	10,291,679	-	-	10,291,679
Account Receivable	-	-	-	1,389,110	1,389,110
Equity Investment	-	-	84,004	-	84,004
Cash and Bank Balances	2,338,354	-	-	-	2,338,354
Deposit Reserves	1,303,782	-	-	-	1,303,782
<b>Total Financial Assets</b>	<b>3,642,137</b>	<b>10,291,679</b>	<b>84,004</b>	<b>17,294,366</b>	<b>31,312,186</b>
Total Non Financial Assets					4,875,291
					<b>36,187,477</b>
Total Assets					
<b>Financial Liabilities</b>					
Customer Deposit on Demand					26,591,377
Managed Funds & Borrowing					313,991
Accruals and Bills Payables					2,004,291
<b>Total Financial Liabilities</b>					<b>28,909,659</b>
Total Non-Financial Liabilities					833,866
					<b>29,743,525</b>
Total Shareholders Fund					6,443,952
<b>Total Liabilities and Shareholder's Fund</b>					<b>36,187,477</b>

### 29. Capital commitments

There were no capital commitments not provided for in the financial statement at the reporting dates

# Anum Rural Bank Limited

## Notes to the Financial Statements

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### 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	689,891	1.01%
Eric Baadu Agyemang	560,968	0.82%
Daniel Adu Appea	180,634	0.26%
Nathaniel K Afunhya	164,893	0.24%
Samuel Yao Katsekpor	161,392	0.24%
Christian Ani-Frimpong	129,962	0.19%
Martin Adu-Owusu	100,000	0.15%

#### (ii) Number of Shares Outstanding

Earnings and dividend per share are based on 68,364,718 (2018: 66,877,389) ordinary share outstanding

#### (iii) Number of Shareholders

The Bank had a total of 7,120 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	1,374	1,010,775	1.48
1,001-5,000	4,057	11,356,139	16.61
5,001-10,000	951	6,438,539	9.42
Exceeding 10,000	738	49,559,265	72.49
	<b>7,120</b>	<b>68,364,718</b>	<b>100</b>



# Anum Rural Bank Limited

## Notes to the Financial Statements

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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	7,073,947	10.35
2. Osafo Adamu Jonas	2,506,243	3.67
3. Nartey Desmond Afutu	2,399,974	3.51
4. Sage Bancshares	2,048,323	3.00
5. Dadzie Samuel	1,886,147	2.76
6. Paarock Van Percy	1,266,571	1.85
7. Namusa Trust	1,247,889	1.83
8. James Allotey	1,140,669	1.67
9. Nartey Desiri Nartekie	1,024,974	1.50
10. Eshun Richard Sarbah	1,000,000	1.46
11. Kwabena Adjei	689,891	1.01
12. Samuel Bada	614,984	0.90
13. Eric Baadu Agyemang	560,968	0.82
14. Salome Appiah/Asante Emmanuel Ofori	534,055	0.78
15. Yaokumah Paul Kwasi	511,958	0.75
16. Nartey Sophie	500,000	0.73
17. Odame Irene Mary	430,823	0.63
18. Akyea-Obeng Timothy Kwaku	423,229	0.62
19. Ntim Benjamin Obuobi	375,786	0.55
20. Bredu Daniel Tetteh	346,094	0.51
<b>Total</b>	<b>26,582,525</b>	<b>38.88</b>
Others	41,782,193	61.12
	<b>68,364,718</b>	<b>100.00</b>

# Anum Rural Bank Limited

## Notes to the Financial Statements

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All amounts expressed in Ghana Cedis

<b>Gen. &amp; Admn Expenses</b>	<b>2019</b>	<b>2018</b>
Directors' Training Expenses	2,713	1,850
Board Meeting & Committee Expenses	150,441	130,983
Police Guard & Security	158,357	136,308
Recruitment Expenses	50	-
Travelling & Transport	85,846	81,704
Audit expenses	353	1,152
Legal & Professional Fees	1,934	3,738
Office Expenses	196,028	179,739
Printing & Stationery	65,710	62,530
Repairs & Maintenance	58,941	39,995
Rent & Rates	105,707	89,902
Communication (Postage & Telephone)	24,124	24,098
Insurance	83,432	79,071
Utilities (Electricity & Water)	185,514	186,799
Community development	1,932	-
Subscription & Periodicals	14,949	38,216
Motor Vehicle Running	161,002	137,600
Specie Expenses	35,198	39,223
Shortage in Till and round off	631	331
Loans Recovery	9,491	1,424
Scholarship Scheme	600	600
Generator Running	72,488	80,880
Agency expenses	1,690	1,100
Business promotion	58,104	53,295
Susu expenses	305,304	270,735
Accountancy charges	7,000	5,000
Computerization	206,047	175,396
Cheque clearing expenses	24,156	24,363
	<b>2,017,741</b>	<b>1,846,031</b>

# Anum Rural Bank Limited

## Notes to the Financial Statements

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### 32. Tax Computation

**Year of assessment - 2019**

**Basis Year (01/01/19 - 31//12/19)**

	2019	2018
<b>Profit before Tax</b>	<b>317,329</b>	<b>1,068,834</b>
Add/(Less)		
Depreciation	167,730	86,933
Credit Losses	199,834	127,405
Donations	27,230	36,098
Bad Debt Written Off	(1,531,111)	-
<b>Assessable Income</b>	<b>(818,988)</b>	<b>1,319,270</b>
Less: Capital Allowances Utilised	(195,163)	(148,564)
<b>Chargeable Income</b>	<b>(1,014,151)</b>	<b>1,170,707</b>
<b>Tax Thereon @ 25%</b>	<b>-</b>	<b>292,677</b>

*The tax computation is subject to the review of the Ghana Revenue Authority*

# Anum Rural Bank Limited

## Notes to the Financial Statements

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### Capital Allowance Computation

Year of assessment - 2019

Basis Year (01/01/19 - 31//12/19)

Pool of Asset	Deprn. Allow. Rate	WDV 01/01/19	Additions	Total	Depreciation Allowance	WDV 31/12/19
Pool 1 Computers	40%	3,618	-	3,618	(1,447)	2,171
Pool 2 Motor Vehicles	30%	32,569	19,300	51,869	(15,561)	36,308
Pool 3 Fixture/Equit	20%	203,584	261,747	465,331	(93,066)	372,265
Pool 4 Building	10%	2,619	-	2,619	(262)	2,357
Pool 4 Building	10%	2,045	-	2,045	(204)	1,840
Pool 4 Building	10%	5,442	-	5,442	(544)	4,898
Pool 4 Building	10%	31,098	-	31,098	(3,110)	27,989
Pool 4 Building	10%	6,027	-	6,027	(603)	5,424
Pool 4 Building	10%	54,077	-	54,077	(5,408)	48,669
Pool 4 Building	10%	42,435	-	42,435	(4,244)	38,192
Pool 4 Building	10%	2,909	-	2,909	(291)	2,618
Pool 4 Building	10%	8,559	-	8,559	(856)	7,703
Pool 4 Building	10%	-	-	-	-	-
Pool 4 Building	10%	112,865	-	112,865	(11,287)	101,579
Pool 4 Building	10%	21,678	-	21,678	(2,168)	19,510
Pool 4 Building	10%	373,072	7,991	381,063	(38,106)	342,956
Pool 4 Building	10%	64,325	115,744	180,069	(18,007)	162,062
<b>Total</b>		<b>966,923</b>	<b>404,782</b>	<b>1,371,706</b>	<b>(195,163)</b>	<b>1,176,543</b>

	2019	2018
Capital Allowance Unutilised at January 1st	-	-
Depreciation Allowance for the year	195,163	148,564
	<b>195,163</b>	<b>148,564</b>
Less: Utilised	(195,163)	(148,564)
<b>Capital Allowance Unutilised at December 31st</b>	<b>-</b>	<b>-</b>