



KWAMANMAN RURAL BANK PLC

ANNUAL REPORT & FINANCIAL STATEMENTS

For The Year Ended 31st December, 2021

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Corporate Information

Board of Directors

| | |
|----------------------------|--------------------|
| David Abbam Adjei | Chairman, IMC |
| Alex Kwasi Awuah | Vice Chairman, IMC |
| Stephen Agyemang Asiamah | Member, IMC |
| Paul Dakora | Member, IMC |
| Lawyer Stephen Addae Boafo | Member, IMC |

Secretary

Joseph Kwasi Amo

Management

| | |
|-------------------------|--|
| Martin Adjei Amponsah | Chief Executive Officer (1st Sept. - Date) |
| Theophilus Prince Obeng | Relief Manager (1st Jan. - 30th August) |
| Fredua Agyemang Prempeh | Head, Human Resources (1st Jan.) |
| Daniel Kofi Abrokwah | Head, Finance & Accounts |
| Joseph Kwasi Amo | Head, Banking Operations |
| Felix Owusu Addo | Head, Information Technology |
| Daniel Bediako | Head, Risk & Compliance |
| Daniel Ansah | Head, Credits |
| Aaron Aboagye Boateng | Head, Internal Audit |

Registered Office

Bank Premises
K.E 83 Kwaman
Ashanti Region, Ghana
GPS: AP - 1032 - 7391

Bankers

ARB Apex Bank Limited
EcoBank Ghana Limited
First Atlantic Bank

Solicitors

Ibrahim Anyaas Bawa (ESQ)

Auditors

Owiredu-Yeboah Consult
Chartered Accountants
Hse. No. 12, Kofi Adtei Road,
Sahara - Dansoman
P.O.Box AN 7872 Accra - North
Tel: 0244668786/ 0208787232

Financial Highlights

For The Year Ended 31st December, 2021

| As at | 2021(GH¢) | 2020(GH¢) |
|-----------------------------|--------------|--------------|
| Total Assets | 33,091,022 | 30,764,622 |
| Loans & Advances | 8,352,719 | 5,324,156 |
| Deposits | 52,916,094 | 43,649,694 |
| Property, Plant & Equipment | 3,480,184 | 3,644,564 |
| Shareholders' Equity | (22,442,137) | (16,357,878) |
| For the year ended; | | |
| Operating Income | 3,147,489 | 1,909,981 |
| Loss Before Tax | (6,093,893) | (7,765,666) |
| Loss After Tax | (6,093,893) | (7,728,919) |
| Earnings Per Share | (19.03) | (24.21) |
| Capital Adequacy Ratio | (73.57) | (43.24) |
| Number of Agencies | 10 | 10 |
| Number of Staffs | 176 | 176 |

REPORT BY THE INTERIM MANAGEMENT COMMITTEE[IMC] CHAIRMAN TO SHAREHOLDERS AT THE 25TH ANNUAL GENERAL MEETING HELD ON FRIDAY DECEMBER 16, 2022.

INTRODUCTION:

- Shareholders,
- Nananom,
- Invited Guests,
- Representative of ARB Apex Bank
- Officials from Sister RCB's
- Ministers of God,
- Ladies and Gentlemen,
- All Protocol, Observed.

We thank God, for bringing us together again as members of this our noble institution to enable we, the directors render our stewardship to you the cherished shareholders of the Bank as enjoined by the law.

BUSINESS/ECONOMIC ENVIRONMENT OF OPERATIONS

Fellow shareholders, the environment under which the Bank operated during the year under review was very challenging, more so, the position in which the Bank finds itself as a distressed Bank.

Ladies and gentlemen, we would all remember, last year was the year that the government was trying to revamp the country after the whole world was hit by “the mighty COVID – 19 pandemic”.

As a result of the aforementioned Pandemic, the country's macro-economic projections by the central government were in disarray and this had direct effects on general economic activities including ours. Even though, the country's Gross Domestic Product (GDP) grew by 5.4% during the year under review, other macro elements/factors such as, inflation went up from 7.5% in the mid-year report of the Ghana Statistical Service (GSS) to 12.6% at the close of the year as against the Bank of Ghana's inflation target of 8+1-2% for the period in question. During the period, the policy rate also rose up to 14.5% from 12.5% at the beginning of the year. Even though, short term risk free investments, thus, 91-Day, 182-Day and 364-Day rates decreased marginally to 12.49%, 13.19% and 16.46% from 14.08%, 14.13% and 16.98% respectively, the impact was not so significant as one would have expected that depositors would save more with Banks as the result of the above mentioned decreases in government securities. Ghana's local currency (cedi) also depreciated to other major currencies and it had a ripple effect on the general economic performance of the country as business people who are customers of the Bank withdrew more monies than expected to enable them place order for their consignments.

In the rural banking industry, the general performance was satisfactory as most RCB's were able to increase the deposits base including our Bank. Many RCB's in the industry recorded their normal profits which gives hope that the industry has started revamping after the financial sector

clean-up exercise by the Bank of Ghana a couple of years ago. In the case of our Bank, considering the critical position where the Bank found its self, it recorded loss but at a decrease rate as compared to previous years. We however, have the hope that, gradually, things would change for the better.

CORE MANDATE OF THE INTERIM MANAGEMENT COMMITTEE [IMC]:

Dear Shareholders, the Interim Management Committee was appointed by ARB Apex Bank to take up the Bank's administration to stabilize it from total collapse as things were at the critical point at that time together with the Relief Manager who was also appointed by ARB Apex Bank. Subsequently, a Chief Executive Officer [CEO] was recruited by the IMC to take over from the Relief Manager. We can confidently say that the Bank has now been resuscitated. At the moment, the Bank is able to meet all its daily withdrawals from customers and has started given more loans as well as seriously increasing its short term investment portfolio. Even though, looking at the year under review financials, they seem to be unpleasant, however, the assurance is that going forward, all of us would hear the success story about this our noble Bank. We therefore, continue to solicit your co-operation and support as good days would soon emerge.

KEY PERFORMANCE INDICATORS (KPIs):

Follow Shareholders, as I mentioned a while ago, the financials at the moment are not delightful to see as shareholders of the Bank but considering where we are coming from, I could say there is better days ahead.

I therefore, present the performance indicators as follows:

● **DEPOSITS:**

The Bank's total deposits increased from **GHS43,649,694.00** of the previous year to **GHS52,916,094.00** at the end of the year under review, representing a growth of 17.5% and this means, we are gradually growing the Bank's total deposits which is very key in the Bank's performance.

● **LOANS & ADVANCES:**

Dear Shareholders, in spite of the distressful nature in which the Bank found its self during the accounting year, we were able to increase the total loan portfolio of the Bank from **GHS5,324,156.00** to **GHS8,352,719.00** representing **36.3%**.

Ladies and Gentlemen, it is worth noting that during the period, the Bank's liquidity position was not sound, yet we managed to grant credits to our loyal customers in order to maintain them.

● **SHORT TERM INVESTMENT:**

The Bank was able to grow its short term investments from **GHS7,462,201.00** of the previous year to **GHS9,520,587.00** irrespective, the liquidity challenges that the Bank was going through at the time. This growth, in percentage terms was **21.6%**.

- **PAID UP CAPITAL:**

The Bank's paid up capital marginally increased from **GHS1,084,613.00** in the previous year to **GHS1,104,713.00** at the end of the accounting year.

Fellow Shareholders, the above result shows that members of the Bank have stopped purchasing more shares. The Board therefore, wish to humbly appeal to all of us to increase our share holdings in order to grow the Bank's capital and hence general development of the institution as a whole.

- **PROFIT BEFORE TAX:**

We regret to bring to your notice that once again, the Bank could not make any profit as a result of its distressful position. However, Management was able to reduce the Bank's loss from **GHS7,765,66.00** of the previous year to **GHS6,093,893.00** during the year under consideration. The Board and Management are not leaving any stone unturned to change the narrative so that our institution would be able to cover all its operational cost and start making profit in the nearest short term. To achieve this objective, all the necessary strategies are being put in place and I can assure you that the signals are very encouraging and by God's grace, we would soon be there.

- **TOTAL ASSETS:**

The Bank's total Assets grew from **GHS30,764,622.00** in the previous year to **GHS33,091,022.00** at the end of the year under review. This increase in percentage term is **7%**. The Board and Management have put together many strategies to revamp the Bank's activities for general growth and development of the Bank.

- **NET WORTH (SHAREHOLDERS' FUND):**

Fellow Shareholders, it's regrettable to note that the Bank's shareholders fund further deteriorated from **GHS16,357,878.00**, previous year to **GHS22,442,137.00** during the year under review. Members, as far as the Bank's net worth is concerned, we have two options to choose. The first one is, recapitalization by we, the shareholders (raising much more Share Capital) to write off the deficit and the second option is to wait until we make profits so that the profits so made would write off the above mentioned cumulative negative balance.

Therefore, we wish to once again reiterate our earlier call that we all should put in much efforts to purchase fresh shares to beef up the Bank's paid up capital.

- **DIVIDEND:**

Fellow Shareholders, the Board is unable to declare any dividend as no profit was declared during the year.

Moreover, the directive issued by the regulators (the Bank of Ghana) would not permit the directors to declare any dividend, even if profit was made as the Bank has not met the regulators' Capital Adequacy Ratio (CAR) requirement.

●**CORPORATE SOCIAL RESPONSIBILITY:**

The Bank continues to discharge its corporate Social Responsibility (CSR), despite the distressed position in which it finds its self. A total amount of GHs19,965.00 was spent during the accounting year in the area such as education, social activities, local governance through the District/Municipal/Metropolitan Assemblies and other socio-economic activities in our operational area.

●**INAUGURATION OF A NEW BOARD:**

Dear members of the Bank, we are happy to announce to you that, a full Board has been inaugurated. Last year, when we met here, it was the Interim Management Committee (IMC) which was in place to supervise the activities of Management. At the last Annual General Meeting, four directors were appointed by members to be added to the “IMC” and out of the number, two have been approved by the Bank of Ghana, meaning, they have passed the BoG fit and proper test, whilst two of them are being processed by the BoG. Therefore, the membership is five (5) at the moment. We are awaiting two more directors to join.

●**ELECTION OF DIRECTORS:**

Members, all the directors currently serving on the Board were cleared by the BoG recently and none of them has served his one term as enshrined in the new Corporate Governance Directive by the Bank of Ghana. Therefore, none of them is stepping down.

However, one of the directors who was appointed last year and is currently being processed by the Bank of Ghana has opted out for a good reason. The person has been given a higher responsible position in her employment and this would not permit her to combine the directorship with the said position.

In view of the above, one person who would soon be introduced to the house, has offered herself to be considered by this august house today to become a director.

●**STRATEGIES TO DEVELOP THE BANK - DIRECTION:**

Members, to ensure that the Bank is elevated from its current position and catch up with Sister Banks in the industry, especially those in the Ashanti Chapter, the Board and Management have successfully developed a five(5) year Strategic Plan which will guide the Bank's activities.

Prominent among the strategies mapped up in the plan is intensive deposits mobilization to enable the Bank grant more loans to its teeming customers and also invest more to make profits in the ensuing years of operation.

In the said strategic plan, some business centers have been marked to extend the Bank's services to those areas to beef up operations. In the light of this strategy, I am happy to announce that the Bank has been able to secure approval from the Bank of Ghana to open a new branch at

been packaged and we recommend them for people within the Bank's catchment area to patronize them.

● **E-BANKING - DIGITALIZATION:**

Electronic or virtual banking is the order of the day and the Bank as part of its new strategies have packaged e-banking services in collaboration with ARB Apex Bank. Electronic banking services such as e-zwich, Domestic and Foreign Money Transfers (thus, GH-Link, i-trans, Apex Instant Pay, Ghipss Instant Pay, i-Deposit, Unity Link, Western Union, RIA, etc.) are available for customers to access. Currently, the Bank is working seriously in collaboration with ARB Apex Bank to bring on board, "Ghana Pay". This product was introduced by Ghipss and it allows the holder to transact financial services with every financial institution, irrespective of the fact that the person has bank account or not. Members, the Bank is poised to digitalize its products to join the global world in its services delivery.

● **SPECIAL RESOLUTION:**

The Board recommends the increment of the price of the Bank's share from **10 pesewas** to **GHS1** per share to beef up the Bank's share capital.

This resolution, when passed shall help increase our share capital and also place the existing shareholders at advantageous position as they will enjoy time value of money on their already existing shares.

● **CONCLUSION:**

We wish to appeal to all shareholders of this our great institution to never give up because there is a bright light at the end of the tunnel that we are passing through. Everybody should support the share mobilization exercise that the Board and Management are currently pursuing. We should all buy additional shares so that the Bank's Capital Adequacy Ratio (CAR) would improve. In the same vein, we want to appeal to you to save with the Bank and also, advise your relatives both home and abroad to channel their funds through the bank to enable it increase its deposit base.

● **APPRECIATION:**

We wish to express our sincerest gratitude and appreciation to you all for coming to grace this special occasion especially, officials from Association of Rural Banks (ARB), ARB Apex Bank, Sister RCBs in the Ashanti Chapter. Our special thanks go to Honourable Osei Kwame Prempeh who has worked tirelessly for the survival of the Bank. We equally wish to thank Mr. Alex Kwasi Awuah, the Managing Director (MD) of ARB Apex Bank for his unflinching support and all sacrifices he has made for the Bank.

May God bless us all.

"Long live Kwamanman Rural Bank PLC, Long live Ghana".

As Solid As Rock

Statement of Directors Responsibilities

The Bank's Directors are responsible for the preparation and fair presentation of the audited financial statements comprising the statements of financial position at 31 December, 2021, the statements of income, the statements of changes in equity, statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 2019, (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)

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 relevant applicable standards and are also responsible for safe guarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of The Directors

The Directors submit their report together with the audited financial statements of the Bank for the year ended 31st December 2021.

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.

The Directors responsibilities include; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Going Concern

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern. The financial statements therefore continue to be prepared on the going concern basis.

Principal Activities

The company operates as a Rural Bank under the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)

Nature of business

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

Corporate Social Responsibility

The Bank spent an amount of GHs 90,055 on corporate social responsibility within the financial year

Stated capital

The Bank's stated capital increased from GHs1, 084,613 as at the end of the previous year to GHs 1,104,713 resulting in an increase of GHs 20,100 which represents 2.07%. The increase emanates from the sale of shares of 201,000 at GHp 10.00 per share which amounted to Ghs 20,100

Financial report and Dividends

The results of the year are set out in the attached detailed financial Statements and summarized below:

| | 2021(GH¢) | 2020(GH¢) |
|---|--------------|--------------|
| Loss before tax for the year | | |
| From which is deducted a tax charge of | (6,093,893) | (7,765,666) |
| Resulting in a loss after tax of | | 36,748 |
| To which must be added the balance brought forward on the income surplus account at the beginning of the year of | (6,093,893) | (7,728,919) |
| Net adjustments | (18,213,171) | (10,162,063) |
| Leaving a balance before statutory and other transfers of | (10,465) | (322,189) |
| From which the following transfers were made: | (24,317,530) | (18,213,171) |
| Dividend declared | | |
| Transfer to statutory reserve in accordance with section 34 of the Banks and Specialized Deposit-Taking Institutions Act. 2016(Act 930) Transfer to credit risk | | |
| Leaving a balance on the income surplus account of | (24,317,530) | (18,213,171) |

Dividend

The Directors do not recommend the payment of dividend for the year ending 31st December, 2021. (There was no dividend declared for the year ended 31st December, 2020)

Litigation Statement

The Bank is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets

Auditors

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

Approval of Financial Statements

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

By Order of the Board

.....
Director

.....
Director

Independent Report on the Audit of The Financial Statements

Opinion

We have audited the financial statements of Kwamanman Rural Bank Limited (“the Company”), which comprise the statement of financial position at 31 December 2021, 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 12 to 53

In our opinion, these financial statements give a true and fair view of the financial position of Kwamanman Rural Bank Limited at 31 December 2021, 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)

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) was determined under IFRS 9 which introduced a forward-looking Expected Credit Loss (ECL) model.

The ECL model requires considerable judgment and interpretation in its interpretation. These judgments were key in the development of ECL model 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 the ECL model. 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:

- o Probability of Default – PD: (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time)
- o Exposure At Default – EAD: (amount expected to be owed the Bank at the time of default)
- o Loss Given Default – LGD: (percentage exposure at risk that is not expected to be recovered in an event of default)
- o Forward looking economic information and scenarios
- o 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 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 engagement partner on the audit resulting in this independent auditor's report is Eugene Owiredu-Yeboah (ICAG/P/1229)

.....
 Owiredu Yeboah Consult (ICAG/F/2022/144)
 Chartered Accountants
 Sahara-Dansoman
 P.O.Box AN 7872 Accra North
 Accra

.....2022

Statement of Comprehensive Income

The Year Ended 31st Dec. 2021

| | NOTES | 2021(GH¢) | 2020(GH¢) |
|--|-------|--------------------|--------------------|
| Interest Income | 5 | 3,419,846 | 2,376,941 |
| Interest Expense | 6 | (2,004,407) | (1,925,106) |
| Net Interest Income | | 1,415,439 | 451,835 |
| Commissions and Fees | 7 | 759,736 | 573,145 |
| Other Operating Income | 8 | 972,313 | 885,000 |
| Total Operating Income | | 3,147,489 | 1,909,981 |
| Net Impairment Charge In Financial Assets | | (8,445) | (420,000) |
| Operating Expenses | 9 | (9,232,937) | (9,255,647) |
| Net Operating Loss Before Taxation | | (6,093,893) | (7,765,919) |
| Income Tax Expense | | - | - |
| Deferred Tax Credit | | - | 36,748 |
| Loss For The Year | | (6,093,893) | (7,728,919) |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income/ Loss For the Year | | (6,093,893) | (7,728,919) |
| <u>Earnings Per Share[EPS]</u> | | | |
| Basic and Diluted Earnings per Share (in GHP) | | (19.03) | (24.21) |

Statement of Financial Position

The Year Ended 31st Dec. 2021

| <u>ASSETS</u> | NOTES | 2021(GH¢) | 2020(GH¢) |
|---------------------------------------|-------|---------------------|---------------------|
| Cash & Balances with ARB Apex Bank | 13 | 3,532,940 | 3,496,722 |
| Due from other Banks | 14 | 4,963 | 128,397 |
| Investments-Short Term | 15 | 9,520,587 | 7,462,201 |
| Loans & Advances | 16 | 8,352,719 | 5,324,156 |
| Other Assets | 17 | 7,134,999 | 9,502,750 |
| Current Tax Assets | 20iii | - | 141,203 |
| Deferred Tax Asset | 20v | 1,023,125 | 1,023,125 |
| Investments-Long Term | 18 | 41,504 | 41,504 |
| Intangible Asset | 23a | 473,246 | 538,904 |
| Property & Equipment | 23 | 3,006,938 | 3,105,661 |
| Total Assets | | 33,091,022 | 30,764,622 |
| | | | |
| Liabilities & Equity | | | |
| <u>Liabilities</u> | | | |
| Customer Deposits | 19 | 52,916,094 | 43,649,694 |
| Borrowings | 21 | 751,413 | 1,458,868 |
| Other Liabilities | 22 | 1,748,153 | 1,866,439 |
| Deferred Tax Liability | 20v | 117,499 | 117,499 |
| Total Liabilities | | 55,533,159 | 47,122,500 |
| | | | |
| <u>Equity</u> | | | |
| Stated Capital | 29 | 1,104,713 | 1,084,613 |
| Statutory Reserve Fund | 24 | 518,678 | 518,678 |
| Credit Reserve Fund | 25 | 167,749 | 167,749 |
| Retained Earnings | 30 | (24,3127,530) | (18,213,171) |
| Capital Surplus | 26 | 39,404 | 39,404 |
| Development Fund | 27 | 40,000 | 40,000 |
| Staff Retirement Fund | 28 | 4,849 | 4,849 |
| Total Equity | | (22,442,137) | (16,357,878) |
| Total Liabilities & Equity | | 33,091,022 | 30,764,622 |

.....
 Director
/...../.....
 As Solid As Rock

.....
 Director
/...../.....

Statement of Cash Flows

The Year Ended 31st Dec. 2021

| | 2021(GH¢) | 2020(GH¢) |
|---|--------------------|--------------------|
| Loss before Tax | (6,093,893) | (7,765,666) |
| Depreciation | 357,154 | 282,880 |
| Amortization | 53,864 | 20,496 |
| Impairment Charge | (8,445) | 420,000 |
| Net Adjustments and Round Offs | 150,975 | (320,289) |
| Cash flow before changes in assets & liabilities | (5,560,345) | (7,362,579) |
| Changes in assets and liabilities | | |
| Changes in loans and advances | (3,028,563) | (113,786) |
| Changes in other assets | 2,367,751 | 2,719,662 |
| Changes in creditors and accruals | (118,286) | (439,459) |
| Changes in customer deposits | 9,266,400 | 7,761,537 |
| Cashflow from operating activities before dividend & tax | 2,926,957 | 3,444,293 |
| Dividends and Tax | | |
| Tax Paid | - | - |
| Dividend Paid | - | - |
| | 2,926,957 | 3,444,293 |
| Investing Activities | | |
| Purchase of Property & Equipment | (238,432) | (912,175) |
| Proceeds from Disposal | - | - |
| | (238,432) | (912,175) |
| Financing | | |
| Proceeds from issue of shares | 20,100 | 21,963 |
| Borrowings | (737,455) | (936,782) |
| | (717,455) | (914,819) |
| Net Increase in Cash and Cash Equivalents | 1,971,170 | 1,617,300 |
| Cash & Cash Equivalents as at January 1 | 11,087,321 | 9,470,021 |
| Cash & Cash Equivalents as at December 31 | 13,058,491 | 11,087,321 |
| Analysis of Cash and Cash Equivalents as shown | | |
| Cash & Balances with ARB Apex Bank | 3,532,940 | 3,496,722 |
| Balances with other Banks | 4,963 | 128,397 |
| Short Term Investments | 9,520,587 | 7,462,201 |
| | 13,058,491 | 11,087,321 |

Statement of Changes In Equity

For The Year Ended 31st Dec. 2021

| 2021 | Stated Capital | Statutory Reserve | | | Credit Risk Reserve | Capital Surplus | Retained Earnings | Development Fund | Staff Retmnt. Fund | Total |
|--------------------------|------------------|-------------------|----------------|---------------|---------------------|-----------------|-------------------|---------------------|--------------------|-------|
| | | Reserve Fund | Reserve Fund | Reserve Fund | | | | | | |
| 1/1/2021 | 1,084,613 | 518,678 | 167,749 | 39,404 | (18,213,171) | 40,000 | 4,849 | (16,357,878) | | |
| Net Adjustment | - | - | - | - | (10,465) | - | - | (10,465) | | |
| Re-Stated | 1,084,613 | 518,678 | 167,749 | 39,404 | (18,223,637) | 40,000 | 4,849 | (16,368,343) | | |
| Share Purchases | 20,100 | - | - | - | - | - | - | 20,100 | | |
| Profit/Loss for the Year | - | - | - | - | (6,093,893) | - | - | (6,093,893) | | |
| Transfers | - | - | - | - | - | - | - | - | | |
| 31/12/21 | 1,104,713 | 518,678 | 167,749 | 39,404 | (24,317,530) | 40,000 | 4,849 | (22,442,137) | | |
| 2020 | | | | | | | | | | |
| 1/1/2021 | 1,062,650 | 518,678 | 167,749 | 39,404 | (10,162,063) | 40,000 | 4,849 | (8,328,733) | | |
| Net Adjustment | - | - | - | - | (322,189) | - | - | (322,189) | | |
| Re-Stated | 1,062,650 | 518,678 | 167,749 | 39,404 | (10,484,252) | 40,000 | 4,849 | (8,650,922) | | |
| Share Purchases | 21,963 | - | - | - | - | - | - | 21,963 | | |
| Profit/Loss for the Year | - | - | - | - | (7,728,919) | - | - | (7,728,919) | | |
| Transfers | - | - | - | - | - | - | - | - | | |
| 31/12/20 | 1,084,613 | 518,678 | 167,749 | 39,404 | (18,213,171) | 40,000 | 4,849 | (16,357,878) | | |

1. The reporting entity

1.1 The Company

Kwamanman Rural Bank Limited (the Bank) is a limited liability company incorporated 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 Kwaman in the Ashanti Region with its network of branches located within the Ashanti Region - Ghana. The registered office is at Kwaman in the Ashanti region of Ghana and its registered address is Bank Premises, Hse number KE 83, Kwaman and its postal address is P.O.Box 36, Ashanti Region, Ghana.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

2.1 Basis of preparation

The set of financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional 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. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy

The Bank's financial statements comprise the statement of comprehensive income, statement of financial position, the statement of changes in equity, the statement of cash flows and related notes.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ghana Cedis, 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. 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

The disclosures on risks from the financial instruments are presented in the financial risk management contained in Note 4.10.

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 judgment 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. The area(s) involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements is (are) disclosed below:

2.1.1 Critical Accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year is (are) discussed below

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance (ECL) for the financial assets as per IFRS is a complex area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses)

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as;

- Determining criteria for significant increase in credit risk
- Establishing the number of forward-looking economic scenarios and information
- Choosing an appropriate model and assumptions in the measurement of the ECL

2.1.2 Income and Statement of Cash flows

The Bank has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function of expense method. The Bank reports cash flows from operating activities using the indirect method. Interest received is presented within operating cash flows; interest paid is presented within operating cash flows

2.2 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency or the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in 'Ghana Cedi' (GH¢) rounded to whole numbers.

a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income. All foreign exchange gains and losses are presented in profit or loss within other operating income. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income/available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income/available for sale, are included in other comprehensive income.

2.3 Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises Interest income, commission and fees, as well as other operating income recognized on an accrual basis in the year in which it accrues

a) 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 amortized 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.

b) Commissions and Fees

The Bank earns fees and commission income from services it provides to its customers. Commissions and fees are credited to income when earned with reasonable certainty and in the case of loan fees, in the year the loan is granted.

c) 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.

2.4 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.

2.4.1 General and administrative expenses

Expenses include legal, accounting, auditing and other fees. They are recognized in profit or loss in the period, in which they are incurred, on accrual basis

2.5 Financial assets and liabilities

2.5.1 Financial Assets

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank recognizes the financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Subsequent Measurement & Classification

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 recognized 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

2.5.2 Financial Liabilities

Classification

The Bank's holding in financial liabilities represents mainly deposits from banks and customers, and other liabilities. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Measurement

The amortized cost of a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Value

Availability of Active Market

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. Thus, 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. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the criteria is not met, the market is regarded as being in-active.

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 Bank.

2.5.3 De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired; or
- The Bank transferred its rights to receive cash flows from the asset or has assumed obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and
- Either the Bank has transferred substantially all the risks and rewards of the asset or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.5.4 Offsetting of Financial Instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on net basis, or to realize an asset and settle the liability simultaneously. In cases, even though master netting arrangements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

2.5.5 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position.

Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. Any interest payable or receivable arising is recorded as interest payable or interest receivable except for future costs relating to trading activities which are recorded in operating income.

3. Impairment and provisions

3.1 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.

3.2 Impairment of non-financial assets

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.

3.3 Impairment of loans & 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.

Loans and advances are designated as impaired and considered non-performing where recognized weakness indicates that full payment of either interest or principal become questionable or as soon as payment of interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more or overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows.

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.

Where any impairment arises the estimated impairment loss is fully provided for and recognized in the profit and loss as charge for credit losses.

3.3.1 Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. The determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

IFRS 9 outlines a "three-stage" model for expected credit losses, as summarized below:

- A financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is move to 'stage 2' but is not yet deemed to be credit-impaired
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'.

Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Forward-looking information are considered in measuring the credit losses

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss, (ECL) is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and the Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the remaining lifetime (Lifetime EAD)
- LGD represents the Bank's expectation of the extent of the loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point on initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported on historical analysis.

The 12-M and lifetime EAD are determined based on the expected payment profile, which varies by product type. Forward-looking economic information is also included in determining the 12-M and lifetime PD, EAD and LGD

At 31 December, the Bank's credit exposures were categorized under IFRS 9 as follows:

- Stage 1 – Performing (Current)
- Stage 2 – Underperforming (Substandard, doubtful)
- Stage 3 – Credit impaired (Loss)

4.3 Property, Plant and Equipment

Recognition and measurement

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. The cost of self-constructed assets includes the cost of materials, direct labour and other directly attributable to bringing the asset to a working condition for its intended use. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent Costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis to write down the cost of each asset to their residual values over the estimated useful lives of each part of an item of property and equipment. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. The estimated useful lives for the current and corresponding years are as follows:

| | |
|-----------------------------------|--------|
| Motor Vehicle | 20% |
| Office Equipment | 25% |
| Furniture & Fittings | 20% |
| Agency Rented Building Renovation | 5% |
| Buildings | 5% |
| Computer & Accessories | 33.33% |

De-recognition

An item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

4.3.1 Intangible assets

Recognition

Intangible assets that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment charges

Subsequent measurement

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including internally generated goodwill, is written off in profit or loss incurred

Amortization

Intangible assets are amortized on a straight line basis in profit or loss over their useful estimated lives, from the date they are available for use. The annual amortization rate for the current and comparative year is 33.33%

4.4 Income Tax

Current income tax

Income tax payable on taxable profits is recognized as an expense in the year in which the profits arise. Income tax recoverable on tax allowable losses is recognized as an asset only to the extent that is regarded as recoverable by offset against current or future taxable profits.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the statement of financial position date.

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

The Bank have 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.

4.5 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits 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.

4.5 Borrowings

Borrowings are recognized initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

4.6 Stated Capital and Reserves

Stated Capital

Ordinary Shares

Ordinary shares are classified as stated capital, and comprise 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.

Dividend on ordinary shares

Dividends on ordinary shares are recognized in the period, in equity in which they are approved by the shareholders, in the year in which they are paid.

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%. There was no transfer made by the Bank during the year

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.

4.7 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.

4.8 Employment Benefit

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligation for contributions to defined contribution pension plans are recognized as personnel expenses in statement of profit or loss in the period during which related services are rendered.

The Bank has the following defined contribution schemes:

National Pension Scheme

The Bank 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%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated.

4.9 Comparatives

The previous year's figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison with current year's figures.

4.10 Financial Risk Management

Introduction and overview

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk Management structure

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk and management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include Board sub-committees, the internal audit department and risk department

The Bank has exposure to the following main types of risk (among others) from its use of financial instruments:

- o Credit Risk
- o Market Risk
- o Liquidity Risk
- o 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 interest 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 committee 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.

The Investment committee also plays a role for implementing the credit risk policy/strategy, monitoring credit risk on a bank-wide basis and ensuring compliance with credit limits to be approved by the Board.

The recoveries unit within the credit department manages delinquent facilities including outright recoveries or nursing of such problem loans back to health. At delinquent and past due stages, where recovery efforts are unsuccessful, the Bank refers the client to the Bank's solicitors for legal action to be initiated.

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

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

2021

| Category | Days Past Due | Minimum Provision | Gross Amount | Impairment |
|--------------|-------------------|-------------------|--------------|------------|
| Current | Less than 30 days | 1% | 7,778,225 | 66.754 |
| OLEM | 30-90 | 10% | 50,716 | 5,072 |
| Sub-Standard | 91-180 | 25% | 17,696 | 4,424 |
| Doubtful | 181-360 | 50% | 18,354 | 9,177 |
| Loss | Over 360 | 100% | 4,580,782 | 4,580,782 |
| | | | 12,445,773 | 4,666,209 |

2020

| Category | Days Past Due | Minimum Provision | Gross Amount | Impairment |
|--------------|-------------------|-------------------|--------------|--------------|
| Current | Less than 30 days | 1% | 4,978,405 | 49,784.05 |
| OLEM | 30-90 | 10% | 398,023 | 39,802.27 |
| Sub-Standard | 91-180 | 25% | 99,445 | 24,861.21 |
| Doubtful | 181-360 | 50% | 173,385 | 86,692.36 |
| Loss | Over 360 | 100% | 3,368,073 | 3,368,073.39 |
| | | | 9,017,330 | 3,569,213 |

Exposure to credit risk

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

| | 2021(GH¢) | 2020(GH¢) |
|------------------------|------------|------------|
| Cash And Bank Balances | 3,537,904 | 3,625,119 |
| Short-term Investments | 9,520,587 | 7,462,201 |
| Loans And Advances | 8,532,719 | 5,324,156 |
| Other Assets | 9,242,377 | 9,502,750 |
| | 30,653,587 | 25,914,226 |

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

(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. The Bank's liquidity management systems comprise also the assessment of the Bank's financing requirements on the basis of budgets and forecasts in order to plan appropriately funding resources and an analysis of daily cash report to monitor daily cash flow position.

(iv)Operational Risk

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

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

(v) Compliance and regulatory risk

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

(vi) Legal risk

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

(vii) Reputational risk

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

(viii) Capital risk

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirement by Bank of Ghana and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximize shareholder's value. In order to maintain the desired level of capital, the Bank may vary its dividend policy or issue new shares. The Bank did not comply with all externally imposed capital requirement throughout the period.

Notes to The Financial Statements

| | 2021(GH¢) | 2020(GH¢) |
|--|------------------|------------------|
| 5. Interest Income | | |
| Interest - Investments | 768,860 | 289,555 |
| Interest - Loans & Advances | 2,650,987 | 2,087,386 |
| | 3,419,846 | 2,376,941 |
| 6. Interest Expense | | |
| Interest - Savings | 1,745,594 | 1,491,579 |
| Interest - Borrowings | 258,813 | 433,527 |
| | 2,004,407 | 1,925,106 |
| 7. Commission & Fees | | |
| Commissions | 382,750 | 385,263 |
| Commitment Fees | 376,986 | 187,882 |
| | 759,736 | 573,145 |
| 8. Other Operating Income | | |
| Sundry Income | 972,313 | 885,000 |
| | 972,313 | 885,000 |
| 9. Operating Costs | | |
| Staff Related Costs (10) | 3,710,334 | 2,757,067 |
| Depreciation & Amortization | 391,018 | 303,376 |
| Occupancy Cost (11) | 601,969 | 478,823 |
| Directors' Remuneration (12) | 22,436 | 15,006 |
| Audit Fees | 30,000 | 28,000 |
| Social Responsibility | 90,055 | 34,125 |
| General & Administrative Expenses | 4,387,125 | 5,639,251 |
| | 9,232,937 | 9,255,647 |
| 10. Staff Related Costs | | |
| Staff Remuneration | 3,056,501 | 2,218,495 |
| Staff Social Security Cost | 556,860 | 479,441 |
| Staff Provident Fund | - | - |
| Staff Training & Development | 59,867 | 31,083 |
| Staff Medical Costs | 37,106 | 28,049 |
| Staff end of Service Benefit | - | - |
| Relevant Statistics | | |
| (I)Number of persons in employment of the Bank at reporting date | 176 | 176 |
| (ii)Average annual basic remuneration per staff | 17,366 | 17,366 |
| (iii)Average annual costs per staff | 21,081 | 15,665 |
| As Solid As Rock | | |

| | 2021(GH¢) | 2020(GH¢) |
|---|--------------------|--------------------|
| 11. Occupancy Cost | | |
| Repair & Maintenance | 3 3,540 | 49,471 |
| Rent | 168,571 | 118,694 |
| Electricity & Water | 176,519 | 123,481 |
| Security Expenses | 200,566 | 153,580 |
| Housing & Cleaning | - | 5,509 |
| Sanitation & Cleaning | 22,772 | 28,088 |
| | 601,969 | 478,823 |
| 12. Directors Emoluments | | |
| Board Meeting Expenses | 22,436 | 15,086 |
| | 22,436 | 15,086 |
| 13. Cash & Balances with ARB Apex Bank | | |
| Cash Holdings | 682,726 | 655,053 |
| Current Account | 99,227 | 252,204 |
| 5% Apex Deposit | 2,550,987 | 2,089,465 |
| ACOD | 200,000 | 500,000 |
| | 3,532,940 | 3,496,722 |
| 14. Balances with other Banks | | |
| Total | 4,693 | 4,693 |
| | 4,693 | 4,693 |
| 15. Short Term Investments | | |
| Government Securities | 5,712,161 | 3,153,775 |
| Money Placements with Discount Houses | 3,808,426 | 4,308,426 |
| | 9,520,587 | 7,462,201 |
| 16. Loans & Advances | | |
| (a) Analyzed by Type of Facility | | |
| Overdraft | 2,747,811 | 2,676,083 |
| Loans | 9,697,962 | 6,741,127 |
| | 12,445,773 | 9,417,210 |
| Less Accumulated Impairment Charges | (4,093,055) | (4,093,055) |
| | 8,352,719 | 5,324,156 |

The above constitute loans and advances to customers and staff. The maximum amount due from officers of the Bank during the year amounted to GH¢1,031,994 (2019:Gh¢515,045)

| | 2021(GH¢) | 2020(GH¢) |
|---|-------------------|------------------|
| Relevant Statistics | | |
| (I) Credit Loss Provision Ratio | 0.00% | 4.46% |
| (ii) Cumulative credit loss provision ratio at the balance sheet date was | 8.29% | 43.46% |
| (iii) Percentage of Staff Loans | 8.29% | 5.47% |
| (iv) Percentage of 20 Largest Exposures | 26.89% | 26.40% |
| (b) Analyzed by Type of Customer | | |
| Staff | 1,031,994 | 515,045 |
| Private Enterprises | 4,628,419 | 3,317,784 |
| Individuals | 6,785,360 | 5,584,381 |
| | <u>12,445,773</u> | <u>9,417,210</u> |
| Less Accumulated Impairment Charges | (4,093,055) | (4,093,055) |
| | <u>8,352,719</u> | <u>5,324,156</u> |
| [c] Analyzed By Business Segment | | |
| Agriculture | 211,578 | 241,770 |
| Commerce | 4,965,864 | 3,382,665 |
| Transport | 2,227,793 | 1,665,763 |
| Others(workers) | 5,040,538 | 4,127,012 |
| | <u>12,445,773</u> | <u>9,417,210</u> |
| Less Accumulated Impairment Charges | (4,093,055) | (4,093,055) |
| | <u>8,352,719</u> | <u>5,324,156</u> |
| (d) Movement in The Provision of Credit Losses | | |
| Balance on the Provision at 1st January | 4,093,055 | 3,673,055 |
| Provision for The Year | - | 420,000 |
| | <u>4,093,055</u> | <u>4,093,055</u> |
| (e) Credit Loss Expenses to Profit and Loss | | |
| Provision For The Year | - | 420,000 |
| | <u>-</u> | <u>420,000</u> |
| 17. Other Assets | | |
| Interest and Commission receivable | 238,031 | 490,160 |
| Rent Prepaid | 509,590 | 524,317 |
| Insurance Prepaid | 14,048 | 12,423 |
| Office Account | 6,233,182 | 7,896,879 |
| Migration Suspense | - | - |
| Uncleared Effects | 43,464 | 495,566 |
| As Solid As Rock | | |

| | 2021(GH¢) | 2020(GH¢) |
|------------------|------------------|------------------|
| Stationery Stock | 96,682 | 83,404 |
| | <u>7,134,999</u> | <u>9,502,750</u> |

The Board of Directors resolved to write off an amount of GH¢ 9,949,394.69 which is included in the office account over a period of five(5) years. The amount being reported is system generated and does not represent valid asset of the Bank as at end the period. An amount of GH¢ 1,989,878.94 was written off during the period. A further amount totalling GH¢ 1,680,813.92 from various balances, deemed to be impaired, were resolved to be written off during the period.

| | 2021(GH¢) | 2020(GH¢) |
|------------------------------------|---------------|---------------|
| 18. Investments (Long Term) | | |
| Shares Held at ARB Apex Bank | 41,404 | 41,404 |
| Government Bonds/Stocks | 100 | 100 |
| | <u>41,504</u> | <u>41,504</u> |

19. Consumer Deposits

(a) Analysis by Type of Consumer

| | | |
|-----------------|-------------------|-------------------|
| Current Account | 8,219,677 | 6,537,754 |
| Savings Account | 17,601,081 | 16,975,090 |
| Time Deposits | 13,199,567 | 9,962,879 |
| Susu Deposits | 13,895,769 | 10,173,970 |
| | <u>52,916,094</u> | <u>43,649,694</u> |

(b) Analysis by Type of Consumer

| | | |
|--------------------------|-------------------|-------------------|
| Individuals | 42,591,302 | 35,172,735 |
| Other Private Enterprise | 7,438,146 | 5,994,630 |
| Public Enterprise | 935,743 | 923,345 |
| Others | 1,950,903 | 1,558,984 |
| | <u>52,916,094</u> | <u>43,649,694</u> |

20. Income Tax

I. Income Tax Expense

The major tax expense components of income for the years ended 31st December 2020

Statement Of Profit or Loss

| | | |
|---|----------|-----------------|
| Current Income Tax | - | - |
| | - | - |
| Deferred Tax Charge/Credit | - | (36,748) |
| Income Tax Reported In the Statement of Profit or Loss | - | (36,748) |
| As Solid As Rock | | |

2021(GH¢)

2020(GH¢)

ii. Reconciliation of Effective Tax

The tax on The Bank's profit before tax differs from the theoretical amount that would arise using the statutory tax rate on the applicable profit as follows

| | | |
|--|-------------|-------------|
| Accounting Profit/Loss Before Income Tax | (6,093,893) | (7,765,666) |
| Statutory Income Tax rate of 25% | (1,523,473) | (1,941,417) |
| Non-Deductible Expenses for Tax Purposes | 442,305 | 216,340 |
| Effect on Capital Allowance utilized | 1,081,168 | 1,725,077 |
| Change in Recognized Temporary Differences | - | (36,748) |
| Income Tax reported in the statement of profit or loss | - | (36,748) |

iii. Current Corporate Tax Liabilities

| Year Of Assess. | At 01/01 | Under/Over Provision | Payments/Cr Edits | Tax Provision | At 31/12 |
|-----------------|-----------|----------------------|-------------------|---------------|-----------|
| 2015 | 13,251 | - | (32,494) | - | (19,243) |
| 2016 | (19,243) | - | (111,492) | 133,352 | 2,617 |
| 2017 | 2,617 | (40,250) | (125,000) | 103,305 | (59,328) |
| 2018 | (59,328) | - | (81,875) | - | (141,203) |
| 2019 | (141,203) | - | - | - | (141,203) |
| 2020 | (141,203) | - | - | - | (141,203) |
| 2021 | - | - | - | - | - |

2021(GH¢)

2020(GH¢)

iv. The movement on deferred tax account is as follows:

| | | |
|--|------------------|------------------|
| At 01/01 | (905,626) | (868,878) |
| Origination/reversal of temporary differences: | | |
| Recognized in the statement of profit or loss | - | (36,748) |
| At 31/12 | <u>(905,626)</u> | <u>(905,626)</u> |

v. Recognized deferred Tax Liabilities & Assets are as follows:

| | | |
|-------------------------|------------------|------------------|
| Deferred Tax Assets | (876,200) | (1,023,125) |
| Deferred Tax Liability | (29,426) | 117,499 |
| Net Deferred Tax Assets | <u>(905,626)</u> | <u>(905,626)</u> |

21. Borrowings

Short term and other Borrowings

| | | |
|----------------------|----------------|------------------|
| Loan - ARB Apex Bank | 751,413 | 1,488,863 |
| | <u>751,413</u> | <u>1,488,868</u> |

| | 2021(GH¢) | 2020(GH¢) |
|------------------------------|-------------------------|-------------------------|
| 22. Other Liabilities | | |
| Interest and Bill Payment | 461,727 | 417,727 |
| Unearned Income | 210,865 | - |
| Office Account | 987,103 | 1,413,831 |
| Accrued Charges | 55,125 | 34,881 |
| Others | 33,332 | - |
| | <u>1,748,153</u> | <u>1,866,439</u> |

23. Property & Equipment

| Cost | Bank Renov. | Office Equip. | Computers & Access. | Furniture & Fittings | Motor Vehicles | Buildings | Total |
|-----------------|----------------|----------------|---------------------|----------------------|----------------|------------------|------------------|
| 1/1/2021 | 738,307 | 746,618 | 584,145 | 225,953 | 481,038 | 2,640,273 | 5,416,334 |
| Additions | 87,906 | 101,383 | 31,663 | 17,480 | - | - | 238,432 |
| Net Adjustments | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - |
| 31/12/21 | 826,213 | 848,000 | 615,809 | 243,433 | 481,038 | 2,640,273 | 5,654,766 |

Depreciation

| | | | | | | | |
|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| 1/1/2021 | 192,379 | 606,693 | 519,632 | 168,543 | 377,469 | 445,957 | 2,310,674 |
| Charged | 128,076 | 57,642 | 48,642 | 18,670 | 50,142 | 33,984 | 337,154 |
| Net Adjustment | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - |
| 31/12/21 | 320,445 | 664,335 | 568,274 | 187,213 | 427,611 | 479,941 | 2,647,828 |

Net Book Value

| | | | | | | | |
|-----------|---------|---------|--------|--------|---------|-----------|-----------|
| 31/1/2021 | 505,758 | 183,666 | 47,535 | 56,220 | 53,427 | 2,160,333 | 3,006,938 |
| 31/1/2020 | 545,927 | 139,925 | 64,513 | 57,410 | 103,569 | 2,194,317 | 3,105,661 |

| | 2021(GH¢) | 2020(GH¢) |
|-------------------------------|-----------------------|-----------------------|
| 23a. Intangible Assets | | |
| Software | | |
| Cost | | |
| At 01/01 | 589,399 | 30,000 |
| Additions | - | 539,399 |
| Adjustments | (11,793) | - |
| At 31/12 | <u>577,605</u> | <u>589,399</u> |

| | 2021(GH¢) | 2020(GH¢) |
|---------------------|----------------|----------------|
| Amortization | | |
| At 01/01 | 50,495 | 29,999 |
| Amortization | 53,864 | 20,496 |
| At 31/12 | 104,359 | 50,495 |
| NBV 31/12 | 473,246 | 538,904 |

24. Statutory Reserve Fund

| | | |
|---|----------------|----------------|
| At January 1st | 518,678 | 518,678 |
| Transferred from Income surplus Account | - | - |
| At December 31st | 518,678 | 518,678 |

The Statutory Reserve Fund is required under section 34 of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) to be set aside commutatively from annual profits after tax. Depending on the ratio of the existing Statutory Reserve Fund to be paid up capital the proportion of after-tax profits to be transferred to this reserve fund ranges from 12.25% to 50%. **The bank in the year transferred ___ (2020: __) of profit after tax to Statutory Reserve Fund**

| | 2021(GH¢) | 2020(GH¢) |
|--------------------------------------|----------------|----------------|
| 25. Credit Risk Reserve | | |
| At January 1st | 167,749 | 167,749 |
| Transfers to and from income surplus | - | - |
| At December 31st | 167,749 | 167,749 |
| 26. Capital Surplus | | |
| At January 1st | 39,404 | 39,404 |
| Revaluation Surplus | - | - |
| At December 31st | 39,404 | 39,404 |
| Comprising | | |
| Revaluation of Buildings | 39,404 | 39,404 |
| At December 31st | 39,404 | 39,404 |
| 27. Development Fund | | |
| At January 1st | 40,000 | 40,000 |
| Additions | - | - |
| At December 31st | 40,000 | 40,000 |

These represent funds set aside for the Bank's future buildings and other infrastructure developments.

| | 2021(GH¢) | 2020(GH¢) |
|----------------------------------|--------------|--------------|
| 28. Staff Retirement Fund | | |
| At January 1st | 4,849 | 4,849 |
| Additions | - | - |
| At December 31st | 4,849 | 4,849 |

29. Stated Capital

| | No. Of shares 000 | Amount | No. Of Shares 000 | Amount |
|---------------------------------------|-------------------------|------------------|-------------------------|------------------|
| Authorized: | | | | |
| Ordinary Shares @ 31st December | 60,000 | - | 60,000 | - |
| Issued for Cash Considerations | | | | |
| At January 1 | 32,104 | 1,084,613 | 31,795 | 1,062,650 |
| Additions | 201 | 20,100 | 219 | 21,963 |
| At December 31st | 32,215 | 1,104,713 | 32,104 | 1,084,613 |

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

30. Income Surplus Account

| | | |
|---|---------------------|---------------------|
| At 1st January | (17,901,447) | (10,162,063) |
| Adjustments | | (10,465) |
| | (10,901,447) | (10,172,528) |
| Profit/(Loss) for the year | (6,093,893) | (7,728,919) |
| Balance before Statutory and other Transfers | (23,995,340) | (17,901,447) |
| Transfers to Credit Risk Reserve | - | - |
| At 31st December | (23,995,340) | (17,901,447) |

31. Related Part Transactions

A number of transactions are entered into with related parties in the normal course of business. These normally include loans advanced to related persons. The disbursement and related outstanding balances at the year-end are as follows:

(a) Loans to Key Management Staff and Connected Persons

| | | |
|-------------------------|----------------|----------------|
| At 01/01 | 222,229 | 176,619 |
| Adjustment | - | 24,610 |
| Restated Balance | | 222,229 |
| Additions | - | - |
| Repayment | - | - |
| At 31/12 | 222,229 | 222,229 |

| | 2021(GH¢) | 2020(GH¢) |
|--|-----------------------|-----------------------|
| (b) Loans to Key Management Staff and Connected Persons | | |
| At 01/01 | 105,450 | 53,851 |
| Additions | 164,411 | 68,703 |
| Repayment | (82,677) | (17,104) |
| At 31/12 | <u>187,184</u> | <u>105,450</u> |
| [c] Key Management Personnel Emoluments | | |
| At 31/12 | 259,352 | 415,034 |

Capital Adequacy

| | Required By BOG | Acyually Achieved | Required By BOG | Acyually Achieved |
|-----------------------|--------------------|----------------------|--------------------|----------------------|
| Adequacy Ratio | 10% | -73.5% | 10% | -43.24% |

32. 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.

| | | |
|--|-------------|-------------|
| Profit Attributable to ordinary Shareholders | (6,093,893) | (7,728,919) |
| Weighted Average Number of Ordinary Shares | 32,024,247 | 31,925,288 |
| Basic Earnings Per Share (In Ghana Pesewa) | (19.03) | (24.21) |

Note: The Bank had no category of _____ potentail ordinary shares at both reporting dates. The _____ earnings per share is therefore the same as the basic earnings per share

33. Capital Commitments

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

34. Contingent Liabilities

There were no contingent liabilities at 31st December 2021

35. Exchange Control

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

36. Analysis of Financial Assets and Financial Liabilities

| Financial Assets | Financial Assets At Fair | Fair Value Measure | Fair Value Measured | Loans And Receivables | Total Amount |
|-------------------------------|--------------------------|--------------------|---------------------|-----------------------|-------------------|
| Loans and Advances | - | - | - | 8,352,719 | 8,352,719 |
| Short Term Investments | - | 4,963 | - | - | 4,963 |
| Account Receivable | - | - | - | 43,464 | 43,464 |
| Equity Investment | - | - | 41,504 | - | 41,504 |
| Cash And Bank Balances | 3,532,940 | - | - | - | 3,532,940 |
| Deposit Reserves | 7,134,999 | - | - | - | 7,134,999 |
| Total Financial Assets | 10,667,939 | 4,963 | 41,504 | 8,396,183 | 19,110,590 |

Total Non Financial Assets 11,654,694
30,764,622

Total Assets

Financial Liabilities

| | |
|---|-------------------|
| Customer Deposits on Demand | 43,649,694 |
| Accruals and Bills Payables | 117,499 |
| Total Financial Liabilities | 43,767,193 |
| Total Non-Financial Liabilities | 3,355,307 |
| | 47,122,500 |
| Total Shareholders Fund | (16,357,878) |
| Total Liabilities and Shareholder's Fund | 30,764,622 |

37. Shareholding Structure

(I) Directors' Shareholding

The directors named below held the following number of ordinary shares in the Bank as at 31st December, 2021

| Directors | No. Of Shares | Percentage |
|--------------------------|---------------|------------|
| David Abam Adjei | 200,000 | 0.61% |
| Stephen Asiamah Agyemang | 1,000,000 | 3.06% |
| Rev. Paul Frimpong Manso | 100,000 | 0.31% |
| Achie Kwabena Bond | 50,000 | 0.15% |

The Board is yet to be inaugurated

(ii) Number Of Shares Outstanding

Earnings and dividend per share are based on 32,684,962 (2020: 32,015,830) ordinary share outstanding

(iii) Number of Shareholders

The Bank had a total of 2,365 ordinary Shareholders at the reporting date and were categorized by the number of shares held as follows:

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| (iv) List of Twenty (20) Largest Shareholders at 31st December, 2021 | No. Of Shares | % Of Holdings |
|--|-------------------|---------------|
| 1. Mr Osei Prempeh | 1,850,000 | 5.66 |
| 2. Mr. K.K. Assiamah | 1,000,000 | 3.06 |
| 3. Kwame Owusu | 748,802 | 2.29 |
| 4. Kwaku Owusu | 671,855 | 2.06 |
| 5. Osei Asibey | 574,235 | 1.76 |
| 6. Nana Wiredu Akafo | 574,235 | 1.76 |
| 7. George Osei | 574,235 | 1.76 |
| 8. Jacob Sarfo Contractor | 516,811 | 1.58 |
| 9. Enock Adusei Opoku | 516,811 | 1.58 |
| 10. Nicholas Nyamekye | 344,540 | 1.05 |
| 11. Alhaji Mohammed Mohamma | 344,540 | 1.05 |
| 12. Alhaji Amponsah Mensah | 344,540 | 1.05 |
| 13. Patrick Adu Bempah | 342,026 | 1.05 |
| 14. Nana Fosu Sarpong | 300,000 | 0.92 |
| 15. Kwame Owusu | 229,693 | 0.70 |
| 16. Emmanuel Yaw Ampofo | 229,693 | 0.70 |
| 17. GPRTU & TUC Nsuta Branch | 229,693 | 0.70 |
| 18. Nana Adu Amantem | 200,000 | 0.61 |
| 19. Abbam Adjei David | 200,000 | 0.61 |
| 20. Samuel Banahene | 191,284 | 0.69 |
| Total | 9,982,993 | 30.54 |
| Others | 22,701,969 | 69.46 |
| | 32,684,962 | 100.00 |

| | 2021(GH¢) | 2020(GH¢) |
|--|-----------|-----------|
| 38. General & Administrative Expenses | | |
| Traveling & Transport | 218,940 | 243,525 |
| Printing & Stationery | 85,765 | 70,020 |
| Business Promotion | 22,745 | 10,000 |
| Specie Expenses | 4,020 | 4,905 |
| Entertainment | 237,456 | 131,087 |
| Savings Mobilization | 194,708 | 180,008 |
| AGM Expenses | 49,802 | - |
| Audit Expenses | 7,860 | 10,070 |
| Insurance | 89,247 | 79,365 |
| Postages & Communications | 51,359 | 54,317 |
| Motor Vehicle Running | 195,343 | 60,984 |
| Legal Expenses | 22,320 | 130,280 |
| Advertising & Periodicals | 250,976 | 147,162 |
| Bank Charges | 51,436 | 106,632 |
| Penalties | - | 87 |
| Generator Running Expenses | 71,702 | 61,577 |
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| | 2021(GH¢) | 2020(GH¢) |
|--------------------------|------------------|------------------|
| Cashiers Efficiency | 2,800 | 3,225 |
| Loan Recovery Expenses | 460 | 120 |
| Sundry Expenses | 293,324 | 330,215 |
| Write Offs | 2,131,083 | 3,670,693 |
| Office Expenses | 84,976 | 50,475 |
| Computerization Expenses | 320,805 | 294,505 |
| | 4,387,125 | 5,639,251 |

39. Value Added Statement

| | | |
|--|----------------|--------------------|
| Interest Earned and Other Operating Income | 5,151,896 | 3,835,087 |
| Direct Cost Service | (4,982,473) | (8,120,311) |
| Value Added by Banking Services | 169,423 | (4,285,224) |
| Non-Banking Services | - | 36,748 |
| Impairments | (8,445) | (420,000) |
| Value Added | 160,978 | (4,668,476) |

Distributed As Follows:

| | | |
|--------------------------------|--------------------|--------------------|
| To employees | | |
| Directors(without executives) | - | - |
| Executive Directors | | |
| Other Employees | 3,710,334 | 2,757,067 |
| To Government: | | |
| Income Tax | - | - |
| To Providers Of Capital | | |
| Dividends to Shareholders | - | - |
| To expansion and growth | | |
| Depreciation | 337,154 | 337,154 |
| Amortization | 53,864 | |
| Retained Earnings | (6,093,893) | (7,728,919) |
| | (1,992,541) | (4,614,202) |

2021(GH¢)

2020(GH¢)

Year Of Assessment - 2021**Basis Year (01/01/21 - 31/12/21)**

| | | |
|-----------------------------------|---------------------|---------------------|
| Profit Before Tax | (6,093,893) | (7,765,666) |
| Add/(Less) | | |
| Depreciation | 391,018 | 282,880 |
| Credit Losses | 8,445 | 420,000 |
| VAT on Audit Fees | - | - |
| Buildings | 33,540 | 49,471 |
| Vehicle Repairs | 165,343 | 60,984 |
| Assessible Income | (5,465,547) | (6,952,331) |
| Less | | |
| Buildings | (17,854) | (16,375) |
| Vehicle Repairs | (6,179) | (8,827) |
| Less: Capital Allowances utilized | (522,308) | (577,274) |
| Chargeable Income | (6,011,888) | (7,554,807) |
| Carry over loss b/f | (16,421,666) | (8,866,859) |
| Carry over losses c/f | (22,433,554) | (16,421,666) |

Tax Thereon @ 25%

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

Capital Allowance Computation

Year of Assessment - 2021

Basis Year (01/001/21 - 31/12/21)

| Pool Of Asset | Deprn. Allow. Rate | WDV/Cost 01/01/21 | Additions | Total | Capital Allowance | WDV 31/12/21 |
|--------------------------|---------------------------|--------------------------|------------------|------------------|--------------------------|---------------------|
| Pool 1 Computers | 40% | 89,840 | 31,663 | 121,503 | (48,601) | 72,902 |
| Pool 2 Motor Vehs & Plan | 30% | 176,547 | - | 176,547 | (52,964) | 123,583 |
| Pool 3 Fixture/Equi't | 20% | 327,497 | 118,863 | 446,360 | (89,272) | 357,088 |
| Pool 4 Building A | 10% | 24,282 | - | 24,282 | (2,428) | 21,854 |
| Pool 4 Building B | 10% | 14,129 | - | 14,129 | (1,413) | 12,716 |
| Pool 4 Building C | 10% | 2,782 | - | 2,782 | (278) | 2,504 |
| Pool 4 Building D | 10% | 85,907 | - | 85,907 | (8,591) | 77,316 |
| Pool 4 Building F | 10% | 108,338 | - | 108,338 | (10,834) | 97,505 |
| Pool 4 Building G | 10% | 24,300 | - | 24,300 | (2,430) | 21,870 |
| Pool 4 Building H | 10% | 2,384,143 | 87,906 | 2,472,049 | (247,205) | 2,224,844 |
| Pool 4 Building I | 10% | 10,800 | - | 10,800 | (1,080) | 9,720 |
| Pool 4 Building J | 10% | 80,451 | - | 80,451 | (8,045) | 72,406 |
| Pool 5 Softwares | 10% | 503,459 | (11,793) | 491,665 | (49,167) | 442,499 |
| TOTAL | | 3,832,475 | 226,638 | 4,059,113 | (522,308) | 3,536,806 |

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| | 2021(GH¢) | 2020(GH¢) |
|--|----------------|----------------|
| Capital Allowance Utilized at January 1st | - | - |
| Depreciation Allowance for The Year | 522,308 | 577,274 |
| | <u>522,308</u> | <u>577,274</u> |
| Less: Utilized | (522,308) | (577,274) |
| Capital Allowance Unutilized at December 31st | - | - |

PROXY AUTHORIZATION

I/ webeing a shareholder of Kwamanman Rural Bank PLC, hereby, appointas my/our proxy to vote on my/our behalf at the Annual General Meeting of the Bank to be held at the Church of Pentecost Premises on Saturday, 16th December, 2022 and at any adjournment thereof.

Signed theday of, 2022.

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Signature of Shareholder