



AKUAPEM RURAL BANK LTD.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2020

	2020	2019
Interest income	13,368,045	12,588,812
Interest expenses	(2,233,419)	(2,804,206)
Net interest income	11,134,626	9,784,606
Commissions and fees	1,495,766	1,77,451
Other operating income	351,827	260,371
Total operating income	12,982,219	11,222,428
Other operating expenses	(11,303,957)	(10,775,153)
Impairment of loan	(260,118)	(104,599)
Impairment of investment	(755,913)	-
Profit before taxation	662,231	551,874
Taxation	(325,228)	(103,597)
Profit after taxation	337,003	448,277
Other comprehensive income	-	-
Revaluation surplus-equity investment	45,546	276,053
Total comprehensive income	382,549	724,330
Earnings per share:		
Basic	0.321	0.468
Diluted	0.321	0.468

STATEMENT OF CASH FLOW AS AT 31 DECEMBER, 2020

	2020	2019
Cash flows from operating activities		
Cash used in operating activities	2,692,813	1,226,369
Tax paid	(478,214)	(167,863)
Net cash used in operating activities	2,214,599	1,058,506
Cash flows from investing activities		
Purchase of property, plant and equipment	(654,726)	(265,466)
Purchase of intangible asset	(56,337)	(294,593)
Proceeds from sale of fixed assets	-	-
Net cash used in investing activities	(711,063)	(588,398)
Financing activities		
Proceeds from issue of shares	-	-
Deposit for shares	884	46,626
Long-term borrowing	256,922	373,675
	(10,695)	(410,197)
Net cash flow from financing activities	244,111	(10,104)
Increase in cash and cash equivalent	1,747,647	510,212
Cash and cash equivalent at the beginning of the year	5,199,046	4,688,834
Cash and cash equivalent at the end of the year	6,946,643	5,199,046
Analysis of cash and cash equivalents:		
Cash on hand	2,119,828	1,664,390
Bank Balances	4,826,865	3,534,656
At year end	6,946,693	5,199,046

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2020

	2020	2019
Assets		
Cash and bank balances	6,946,693	5,199,046
Short-term and trading investment	61,149,477	47,205,410
Equity investments	679,723	634,178
Loans and advances to customers	19,646,396	16,004,585
Other assets	2,445,767	1,472,733
Current tax	115,093	-
Property, plant and equipment	3,125,515	3,218,740
Intangible assets	364,585	299,166
Total assets	94,473,249	74,033,858
Liability		
Customer deposits	80,538,505	61,782,671
Current tax	-	103,214
Deferred tax	188,381	12,060
Payables and accruals	2,066,681	866,780
Dividend payable	804,008	814,704
Long-term borrowing	627,596	373,674
Total liabilities	84,225,171	69,620,966
Equity		
Stated capital	2,153,013	2,153,013
Deposit for shares	47,510	46,626
Retained earnings	4,449,841	4,260,073
Revaluation reserve	681,431	635,885
Statutory reserve fund	2,828,773	2,786,648
Regulatory credit risk reserve	87,510	87,510
Total equity	10,248,078	9,969,755
Total equity and liabilities	94,473,249	74,033,858

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER, 2020

	Stated capital	Deposit for shares	Retained earnings	Statutory reserve	Revaluation on reserve	Credit reserve	Total
Balance as at 1 January	2,153,013	46,626	4,260,073	2,786,648	635,885	87,510	9,969,755
Prior year adjustment	-	-	174,956	-	-	-	174,956
Balance as restated	2,153,013	46,626	4,435,029	2,786,648	635,885	87,510	10,144,711
Write off	-	-	(280,066)	-	-	-	(280,066)
Net profit or loss	-	-	337,003	-	-	-	337,003
Proceeds from issue of shares	-	884	-	-	-	-	884
Revaluation	-	-	-	-	45,546	-	45,546
Transfer to statutory reserve	-	-	(42,125)	42,125	-	-	-
Balance as at 31 December	2,153,013	47,510	4,449,841	2,828,773	681,431	87,510	10,248,078

	Stated capital	Deposit for shares	Retained earnings	Statutory reserve	Revaluation on reserve	Credit reserve	Total
Balance as at 1 January	2,153,013	46,626	4,802,652	2,730,613	359,832	87,510	10,180,246
Prior year adjustment	-	-	(456,340)	-	-	-	(456,340)
Balance as restated	2,153,013	46,626	4,346,312	2,730,613	359,832	87,510	9,723,906
Net profit or loss	-	-	448,277	-	-	-	448,277
Proceeds from issue of shares	-	-	(478,481)	-	-	-	(478,481)
Revaluation	-	-	-	-	-	-	276,053
Transfer to statutory reserve	-	-	(56,035)	56,035	276,053	-	-
Balance as at 31 December	2,153,013	46,626	4,260,073	2,786,648	635,885	87,510	9,969,755

REPORT OF THE DIRECTORS

1 Reporting Entity

Akuapem Rural Bank Limited (ARB Ltd) formerly Akwapim Rural Bank was incorporated under the Companies Act, 1963, (Act 179) on 18th May 1978 and issued with certificate to commence business on 30th July, 1980. The Bank was officially commissioned on 29th August, 1980.

Akuapem Rural Bank Limited is domiciled in Ghana and headquartered at Mamfe- Akuapem with its registered address opposite Mamfe lorry station in the Akuapem North Municipal Assembly, in the Eastern Region of Ghana. Akuapem Rural Bank is regulated under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

2. Summary Report of the Directors

The directors submit their report together with the summarized financial statements of Akuapem Rural Bank Limited (the 'Bank') for the year ended 31 December 2020.

3. Statement of Directors' responsibility

The directors are responsible for the preparation of the Bank's financial statements for each financial year, which gives a true and fair view of the state of affairs of the Bank and the profit or loss and cash flows for the period in accordance with the International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The 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.

4. Statement of Compliance

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

5. Basis of measurement

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

6. Functional and presentation currency

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

7. Quantitative disclosures

	2020	2019
Capital adequacy ratio	20.33%	22.61%
Non-performing loan (NPL) ratio	4.20%	5.34%
Off-balance sheet exposure (GHC "000")	Nil	Nil

8. Quantitative disclosures

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and minimize potential adverse effects on its financial performance.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies, evaluate and manages financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. The most important types of risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate.

9. Defaults in prudential requirements and accompanying sanctions

	2020	2019
(1a) Default in statutory liquidity (times)	Nil	Nil
(1b) Sanctions (GHC)	Nil	Nil
(2a) Default in prudential requirements (times)	Nil	Nil
(2b) sanctions (GHC "000")	Nil	Nil

10. Corporate Social Responsibility

The Donation and community development by the Bank amounted to GHS 34,752 in the reporting year under review. Sampled organisations like Ghana National Fire Service, Ghana Police Service, Larteh, Adukurman Council, Akuapem Adontenman Council, Farmers Day celebration, Ghana Education Service, Nsawam etc. benefited from the above.

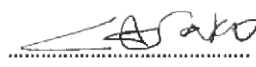
REPORT OF THE DIRECTORS CONT'D

11. Approval of financial statements

The financial statements for the year set out on pages 25 to 74, which have been prepared on a going concern basis, were approved by the Board of Directors and signed on their behalf by:



Kwame Gyekye-Amoako
(Board Chairman)



Samuel Dako
(Director)

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, Akuapem Rural Bank Limited has kept proper accounting records and the financial statements are in agreement with the records in all material respects and report in the prescribed manner, information required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2020, and of its financial performance and statement of cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB).

What we have audited

We have audited the accompanying financial statements of the Akuapem Rural Bank Limited for the year ended 31 December, 2020.

The financial statements comprise:

- statement of comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2020;
- statement of changes in equity for the year ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank within the meaning International Ethics Standards Board for Accountants' (IESBA) Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants Ghana (ICAG). We have fulfilled our other ethical responsibilities with IESBA Code.

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 Matters	How our audit addressed the key audit matter
<p>Investment impairment</p> <p>The Bank had significant amount of investment with Blackshield (formerly Gold Coast Fund Management) and Frontline Capital, with a total market value of GHS 6,038,230 and GHS 2,360,000 respectively which were locked-up. The Security and Exchange Commission on 8th November, 2019 revoked the licenses of these Fund Managers and consequently ceased to operate.</p> <p>These investment assets held by the Bank, have not been generating any economic benefit to the Bank since 2018.</p> <p>The Government of Ghana set GCB Capital to facilitate the process of the payment of locked up funds. The total validated claim for the repayment of these locked up fund stood at GHS 7,642,317. Representing 91.00% of the total market value of the locked up investment.</p> <p>A total amount of GHS 755,913 has not been validated.</p> <p>Impairing the total investments of GHS 8,398,230 would have resulted in a loss of GHS 6,999,861 and retained earnings of GHS (2,890,443). The Capital adequacy ratio would have been 5.55%, below the acceptable rate of 10%.</p>	<p>Our procedures included:</p> <p>We enquired from management and those charged with governance about the current status of the locked up funds due to the indicators of impairment.</p> <p>We reviewed the Board minutes to apprise ourselves with the Board's views and obtain further understanding of the investment condition. We reviewed Bank of Ghana (BoG) onsite visit reports and other BoG correspondence with the Banks. The BoG directed that these investments should be impaired immediately.</p> <p>We engaged the Board of Directors on 4th May, 2021 to ensure these investments were validated. Share purchase agreement was executed on 5th May, 2021. Further, we obtained supporting documentations of all validated claims and performed procedures to test the accuracy of the amount involved. Claims yet to be validated were duly impaired which amounted to GHS 755,913.</p>
<p>Loan loss provision</p> <p>The Bank carries out an impairment of its loans and advances in compliance with IAS 39 – Financial Instruments: Recognition and Measurement, which requires the amount of loss to be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan asset's original effective interest rate.</p> <p>The Bank reviews its loans and advances for impairment at the end of each reporting period. Due to the judgements made in the following areas:</p> <ul style="list-style-type: none"> - Percentage of realization Years to realization - Emergence period <p>Due to the significant judgements that are applied by management in determining whether an impairment loss has occurred, we considered this to be a key audit risk.</p> <p>In addition to specific provisions against individually impaired loans and advances, the Bank also makes a collective impairment against the remainder of the loans and advances in relation to which specific impairment losses have not been made. We focused on this area, since the determination of the amount of the collective provision is an estimation process which is based on historical loss experience and therefore involves significant judgment.</p> <p>The Bank is also required to compute loan provision in accordance with the Bank of Ghana (BOG) prudential guidelines. There is the risk of inappropriate classification of loans and advances in accordance with BOG's guidelines that results in inaccurate loan impairment computations.</p>	<p>Our procedures included:</p> <p>We evaluated and tested the design, implementation and operating effectiveness of the key controls over the computation of impairment loss. In performing the tests of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed.</p> <p>We performed an evaluation of management's key assumptions over specific impairment calculation, including the calculation, methodology and the realizable value of collaterals and expected period of realization of the collaterals.</p> <p>We determined whether the short-term investments which were used as collaterals were suitably valued and up to the quantum of the loan amount and that the Bank had lien over the collaterals.</p> <p>We tested the adequacy of the collective loan loss provision by evaluating the assumptions and historical loss rates used by management in the calculation of the collective impairment provision. We considered geographic sectorial statistics and current economic and other relevant conditions, including changes in factors such as lending policies, nature and volume of the portfolio, volume and severity of recently identified impaired loans.</p> <p>We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We considered the disclosure of loan impairment to be appropriate and adequate. We further assessed also as appropriate the classifications of the Bank's loans and advances in accordance with Bank of Ghana, prudential guidelines and the transfer of any</p>
<p>The Bank is also required to make transfers from retained earnings to regulatory credit risk reserve based on the excesses of IFRS impairment and Bank of Ghana provision.</p> <p>The disclosures relating to impairment of loans and advances to customers which are included in notes to the financial statements are considered important to the users of the financial statements given the level of judgment and estimation involved.</p>	<p>excess provision over the IFRS computed provisions to the regulatory credit risk reserve.</p>

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, including the Board Chairman's statement which we obtained prior to the date of this auditor's report. The other information does not include the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed on the

other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Going concern

The financial statements of the Bank have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significance doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Bank. Based on our audit of the financial statements of the Bank, we also have not identified such a material uncertainty.

However, neither management nor the auditor can guarantee the Bank's ability to continue as going concern.

Responsibilities of Directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether 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 arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from the fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Bank'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 Bank 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 Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Audit Committee among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Audit Committee and the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interests benefits of such communication.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

Other matter paragraph

We have nothing to report on other matters on which we are required to report except by below.

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

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

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

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

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



For and on behalf of:
UHY Voscon (ICAG/F/2021/086)
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Date