



We serve our cherished customers better

2019

ANNUAL REPORT

&

FINANCIAL STATEMENTS



We serve our cherished customers better

VISION STATEMENT

To be among the best Rural and Community Banks in Ghana.

MISSION STATEMENT

To promote and finance sustainable enterprises, through the introduction and implementation of innovative and cost effective products.

To reduce poverty in the catchment area of the Bank through delivery of efficient Banking services by trained, motivated and efficient staff, and create maximum value for shareholders.

GOAL

Be the model Rural Bank in Ghana.

CORPORATE VALUES

- ***Honesty***

Transparency and Trustworthiness.

- ***Dependability***

Reliability and Consistency in Service Delivery.

- ***Motivation***

Create a conducive environment for staff development and promote maximum performance and the development of initiatives.

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR 2019

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ANLO RURAL BANK LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the nineteenth (19th) Annual General Meeting of ANLO RURAL BANK LIMITED will be held on **Saturday, 17th October, 2020** at 9:00 o'clock at the **Municipal Assembly Hall, Keta, Volta Region**, to transact the following business:

AGENDA

1. To receive the Report of the Chairman.
2. To receive and consider:
 - a. The Report of the Directors,
 - b. The Report of the Auditors,
 - c. The Financial Statements of the Bank for the year ended 31st December, 2019.
3. To appoint Auditors and authorize Directors to fix the remuneration of the Auditors.
4. To re-elect Directors retiring by rotation.
 - a. Christian R. K. Bensah
 - b. Dr. Kwasi Gbordzi
5. To ratify the appointment of a co-opted non-executive Director - Mr. Frank Y. Lawoe
6. To fix the remuneration of the Directors.

Notes:

- A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote in his or her stead. Completed proxy forms must be lodged with the Company's Secretary, at the Bank's Head Office, Anloga, or electronically sent to info@anloruralbank.com, not less than 48 hours prior to the meeting.
- The 2019 Annual Reports and Financial Statements (with the proxy form therein) can be accessed on the website of the company (www.anloruralbank.com).

Dated this 25th day of August, 2020.

BY ORDER OF THE BOARD



BRIGHT P. K. ALEAWONOR
(AG. COMPANY SECRETARY)

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Mr. Larry Kwesi Jiagge	Chairman
Mrs. Paulina Adjua Dsani (Mama Biana Dadzie 1)	Vice-Chairperson (Retired 02/04/20)
Mr. Sui Kwasi Kafui Fiawoo	Member (Resigned 17/07/19)
Dr. Kwasi Gbordzi	Member
Mr. Christian Rockson Kodzo Bensah	Member
Mr. Godwin Amelor	Member
Mr. Bartholomew Kwame Ahadzi	Member

SECRETARY:

Mr. Bright Aleawonor (Acting)
P. O. Box AW 31
Anloga – Volta Region

AGENCIES:

Anloga Main, Dzelukope and Abor

REGISTERED OFFICE:

Head Office Building
Seth Zanu Crescent
Setsinu - Anloga
P. O. Box AW 31
Anloga – Volta Region
Ghana Post Digital Address: VK-1620-2446

INDEPENDENT AUDITORS:

Nexia Debrah & Co
(Chartered Accountants)
BCB Legacy House
#1 Nii Amugi Avenue,
East Adabraka, Accra
P.O. Box CT 1552
Cantonments, Accra

BANKERS:

ARB Apex Bank Limited, Accra
GCB Bank Limited, Keta
Consolidated Bank Ghana Limited, Manet - Accra

PROFILE OF DIRECTORS



Mr. Larry Kwesi Jiagge

Board Chairman

Mr. Jiagge has over thirty-six (36) years' experience in Insurance, Risk, Finance and Strategic Management. He is a member of the Ghana Bar Association. He is a past President of Rotary Club, Accra South, and an avid reader of Financial and Strategy publications.

Mr. Jiagge has served as a Director on the Boards of Companies and Institutions, serving as Chairman for a number of them, including Bank of Baroda Ghana, CDH Insurance Company Limited, CDH Life Assurance Company Limited, Priority Insurance Company Limited, Donewell Insurance Company Limited, Donewell Life Assurance Company Limited, Council of Bureau - Ecowas Brown Card, Executive Council of West Africa Insurance Companies Association (WAICA), and

Executive Committee of the Ghana Insurers Association.

He currently serves on the Board of ARB Apex Bank Limited as Vice-Chairman and the Board of Keta Business Senior High School as the Chairman. He is also the Vice-President of the Volta Chapter of the Association of Rural Banks.

Mr. Jiagge worked in senior management positions with a number of companies, including SIC Insurance Ghana Limited as Manager/Head of Department, Metropolitan Insurance Company Limited (now Hollard) as General Manager and Nsia Ghana Insurance Company Limited as Managing Director. He is now the Chief Executive Officer of Risk Management and Advisory Services Limited.

He is a product of Kwame Nkrumah University of Science and Technology (KNUST) and received his EMBA from GIMPA. Mr. Larry Kwesi Jiagge is a Barrister at Law, Chartered Insurer, Fellow of the Chartered Insurance Institute of Ghana (FCIIG), Fellow of the West African Insurance Institute (FWAI) and Fellow of the Chartered Insurance Institute of London (FCIIL).



Dr. Kwasi Gbordzi

Director

He has worked with different institutions namely: University of Ghana and Lever Brothers Ghana Limited as Project Manager (1980), Kade District as a Head of the District Agricultural Department, Kufrah Product Project in Libya (1988) as a Research Officer, Libya (1990) as a Research Agronomist – UNDF/FAO – Malawi (1993) as a Plant Breeder Tobacco Research Institute of Malawi (TRIM) as a Head of Plant Breeding Department, and was on the Board of Community Micro – Finance Company.

He is a renowned business man and Chief Executive Officer of Sputnik Travel and Tour Ghana Limited.

Dr. Kwasi Gbordzi received his PhD in Plant Breeding and Genetics from Kharkov, Ukraine – 1986 and had M.SC Agronomy, Plant Breeding and Genetics, Kharkov Ukraine – 1983. He obtained B.SC Agriculture from the University of Ghana, Legon (1979). He is one of the initial promoters of Anlo Rural Bank Limited.



Mr. Godwin Amelor

Director

He served on various Boards such as Anlo Technical Institute (2012) – Board Chairman, and was a Presiding Member of the Keta Municipal Assembly (2010). He was the Committee Chairman of Finance and Administration and a member of the Audit Report Implementation Committee (2015) – Keta Municipal Assembly. He is currently the Director of Education for the North Tongu District.

Mr. Godwin Amelor obtained his Executive Masters in Business Administration (EMBA) from Kwame Nkrumah University of Science and Technology (KNUST), (2011) and has an Advance Certificate in Human Resource Management from National Institute of Technical Teachers Training Research (NITTTR) Chennai – India (2011). He also obtained his Masters of Educational Administration from University of Cape Coast, Cape Coast (2014).

He received his Bachelor of Education (Social Sciences) from University of Cape Coast (2002) and attended Presbyterian Training College, Akropong – Akwapim (1995) for his Teacher’s Certificate ‘A’ 3-years post secondary.



Mr. Christian Rockson Kodzo Bensah

Director

He worked with Ghana Education Service (Upper West Region) and taught at Sandema Ayieta Primary School, Gbenia Primary School, Afoko Middle School and Middle Boarding School – Sandema (1976) and was a Vice Principal – Ahmadiyya Comprehensive High School – ONI – Nigeria (1986), a Senior House Father – Ketasco (2008), Member P. T. A. Executive – Ketasco (2013). He is now an Examiner for WAEC in Religious and Moral Education.

Mr. Christian R. K. Bensah obtained his B. A. (Hons) from the University of Ghana – Legon (1979). He holds Teacher’s Certificate ‘A’ (4 Years) 1971, G.C.E “O” Level (1972) and G.C.E “A” Level (1975) (Sixth Form, Navasco).



Mr. Bartholomew Kwame Ahadzi

Director

Mr. Ahadzi is a Chartered Accountant with about 36 years of experience in banking, finance, and auditing. He was the Chief Accountant for Treasury and Administration at The Trust Bank Ghana, now part of Ecobank, from 1992 - 1995. He joined the Allied Bank of Uganda as the Financial Controller in 1995. He was also Head of Internal Controls at HFC Bank from 2001 to 2003. He served as the Managing Director of Bank of Africa in Uganda (2003 - 2009) and in Kenya (2009 - 2014).

He is a product of the University of Ghana, Legon and obtained his Bachelors and Masters Degrees in Business Administration in 1984 and 1989 respectively. He became a Chartered Accountant in 1990.

Mr. Bartholomew K. Ahadzi has served on the Boards of various Banks in Uganda, Kenya and Ghana. He is currently a private consultant and serves on the boards of Baobab Microfinance Bank Nigeria Limited and SCG Audit - Ghana.

SENIOR MANAGEMENT TEAM



Gideon K. Odei
General Manager



Bright P. K. Aleawonor
Head of Operations



Winfred V. Amegago
Head of Business Development
& Marketing



Sylvester A. Bedzra
Risk & Compliance Manager



Alfred Y. Kpodo
ICT Manager



Angela N. Kporvi
Internal Audit Manager



Godwin S. Agboworkunu
Credit Manager

BOARD CHAIRMAN’S REPORT

1.0. INTRODUCTION

Distinguished Shareholders, I am very glad to welcome you all to the 19th Annual General meeting of the Bank and also to present to you the Chairman’s Report for the 2019 financial year.

Kindly permit me to begin by touching briefly on the banking sector reforms and the macroeconomic environment in which the Bank operated in the year under review.

1.1. Banking Sector Reforms

At our last AGM, we mentioned the introduction of some reforms by Bank of Ghana from 2017 to strengthen and sanitize the banking and financial sector. These reforms resulted in the revocation of the licenses of nine (9) Universal Banks. As part of the efforts to sanitize and better strengthen the banking sector, the Bank of Ghana in 2019 revoked the licenses of Eight (8) Finance Houses, three hundred and forty seven (347) Microfinance Institutions, fifteen (15) Savings and Loans Companies, thirty-nine micro-credit companies/money lenders and two (2) Non-Bank Financial Institutions. On 16th August 2019, the Bank of Ghana declared the clean-up completed with assurance from Government to pay depositors through the appointed Receiver.

The Securities and Exchange Commission (SEC) in similar form revoked the licenses of fifty three (53) Fund Management Institutions.

While these measures were intended for good purpose, they invariably also resulted in the further liquidity challenges due to delay in paying the depositors, and thus affected financial institutions, including your Bank.

According to the Central Bank, the end-year 2019 balance sheet of the industry as a whole posted a strong performance reflected by outstanding growth in deposits, loans and total assets after the clean-up. The total asset of the industry grew by 22.8% year-on-year to GH¢129.1 billion as at close of year 2019. Deposits on another hand witnessed a 22.3% year-on-year increase to GH¢83.5 billion. Non-Performing Loans (NPL) ratio also reduced from 18.2% in the year 2018 to 13.9% comparatively to the same period last year with an increased loans and advances portfolio as well.

It should however be noted that these positive growth and improvement in Financial Soundness Indicators (FSIs) were largely concentrated in the upper tier of the industry.

1.2. Macroeconomic Environment

The macroeconomic environment in which your Bank performed during the fiscal year 2019 was marked by a reduction in inflation rate and the Bank of Ghana policy rate. Treasury bill rates however increased marginally. Some of the economic indicators closed the year as follows:

- Bank of Ghana Policy Rate 16.00%
- Inflation Rate 7.9%
- Treasury Bill Interest Rates
 - ◇ 91-day 14.69%
 - ◇ 182-day 15.15%
 - ◇ 364-day 16.56%

2.0. FINANCIAL PERFORMANCE OF THE BANK

Distinguished Shareholders, despite the very challenging year experienced by most financial institutions, your Bank continued to record reasonably healthy performance in key result areas. The performance of the Bank is depicted in the tables and charts under this section:

Indicators	2015	2016	2017	2018	2019
	All amounts in GH¢ '000				
Deposits	8,681	10,197	11,430	12,861	14,809
Advances	2,083	2,506	2,179	1,938	3,098
Investments	8,334	9,522	10,980	12,714	13,286
Operating Income	2,915	3,578	3,630	3,429	2,188
Profit Before Tax	859	792	1,099	510	(67)
Shareholders Fund	3,271	3,770	4,396	4,504	4,407
Total Assets	13,353	15,041	16,499	18,225	19,904

Growth (2019) Amounts in GH¢'000

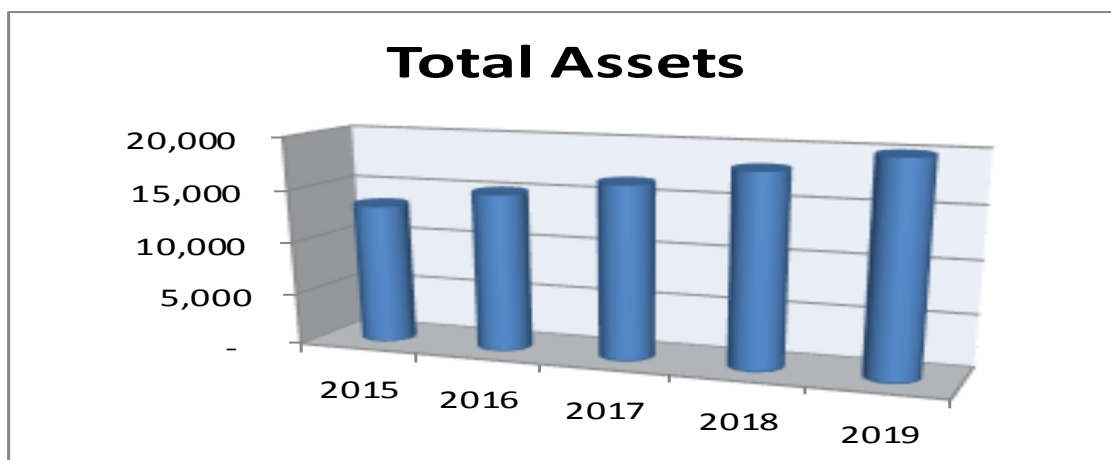
Indicators	2018 (GH¢)	2019 (GH¢)	Variance (%)	Variance (GH¢)
Total Assets	18,225	19,904	9.21	1,678
Total Deposits	12,861	14,809	15.15	1,948
Loans and Advances	1,938	3,098	59.86	1,160
Investments	12,714	13,286	4.50	572
Operating Income	3,429	2,188	(36.19)	(1,241)
Shareholders' Equity	4,504	4,407	(2.15)	(97)
Operating Expenses	2,864	2,255	(21.26)	(609)
Profit Before Tax	510	(67)	(113.08)	(577)

Key Ratios

Ratio	Actual % 2018	Actual % 2019	Benchmark %
Cost/Income Ratio	83.51	103.93	Maximum: 70
Capital Adequacy Ratio (CAR)	54.81	42.18	Minimum: 10
Return on Assets	1.88	(0.48)	Minimum: 5
Earning Assets /Total Assets	80.39	82.32	Minimum: 70
Liquid Assets /Total Assets	90.95	76.18	Minimum: 40
Overdue Advances/Gross Advances	4.94	2.5	Maximum: 20

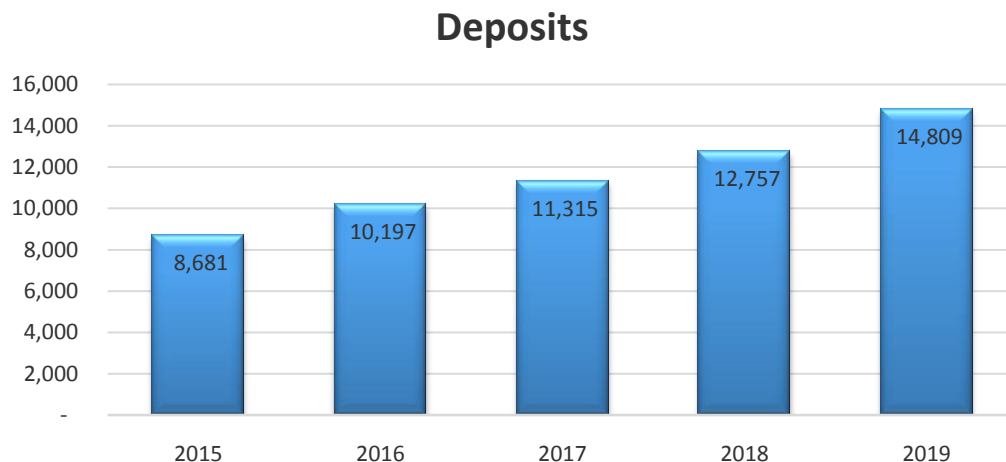
2.1.Total Assets

The total assets increased from GH¢18,225,008 in 2018 to GH¢19,903,767 representing a 9.21% growth in 2019.



2.2.Deposits

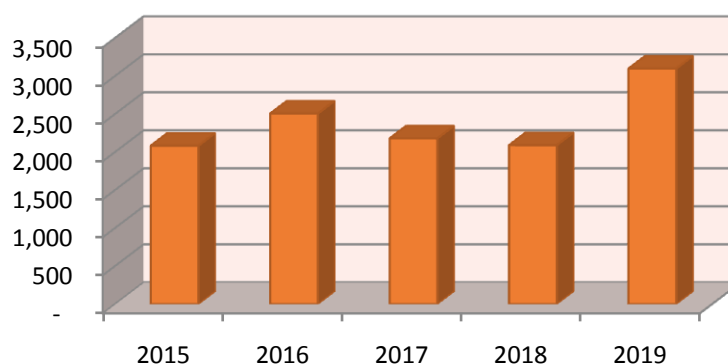
In spite of the challenges that the financial sector experienced during last year, deposits grew from GH¢12,860,782 to GH¢ **14,809,273** in 2019, registering an increase of 15.15% over 2018. This is an evidence of continued customer confidence in the Bank.



2.3.Advances

While the Banking Industry experienced a 23.6% growth in credit portfolio, your Bank's Advance Portfolio increased by **59.89%** from GH¢1,937,677 in 2018 to **GH¢ 3,098,147** in 2019.

Advances

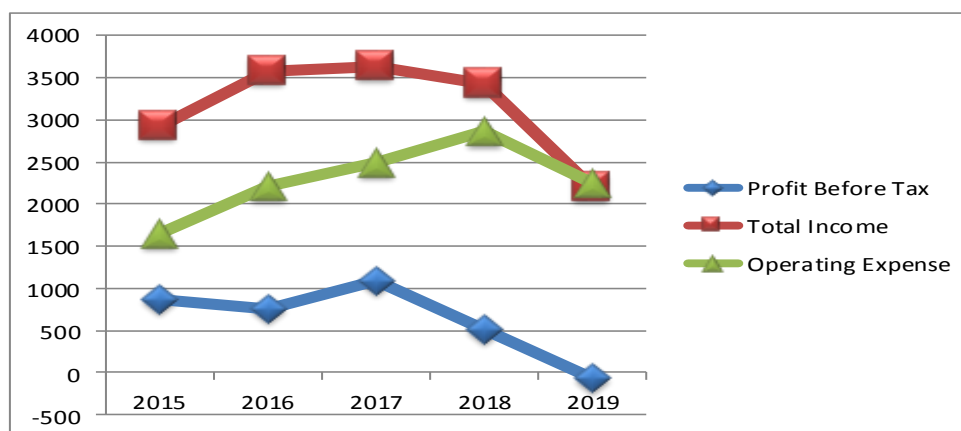


2.4. Operating Income, Operating Expenses and Profit Before Tax

Operating income decreased by 36.18% from **GH¢3,428,980** in 2018 to GH¢2,188,222 in 2019. The marked reduction recorded was mostly due to the locked up funds which resulted in about GH¢1.43 million (51%) reduction in investment income compared with 2018.

In the face of challenges with income generation, the Board and Management put in place stringent cost reduction and management measures. The Bank's operating expense thus improved significantly with decrease of 21.27% from GH¢2,863,636 in 2018 to **GH¢2,254,637** in 2019.

The Bank thus recorded a loss (PBT) of **GH¢66,729** in 2019 compared with a profit of GH¢510,015 recorded last year, which represents a reduction of 113%.



3.0. DIVIDEND

Distinguished Shareholders, we are aware of the importance of increasing profitability of the Bank and its subsequent increase in shareholders' value. At the last AGM, you approved the recommendation of the Board of Directors to declare a dividend of **GH¢0.20** per share amounting to **GH¢129,506.40** in line with the performance achieved for the year 2018. However, Shareholders were also informed at the AGM that in line with section 35 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the payment of dividend is subject to approval by the Bank of Ghana (BOG). In response through a letter dated 2nd April 2020, the Bank of Ghana declined to approve the payment of dividend for the financial year ended 31st December 2018, as a result of issues relating to challenges with the Bank's investments. The Board took steps to notify Shareholders of this development.

I also wish to bring to your attention that in its Notice No. BG/GOV/SEC/2020/03, the Bank of Ghana directed that all Banks and Specialised Deposit-Taking Institutions should desist from declaring or paying any dividends or distributing reserves to shareholders for the 2019 and 2020 financial years due to the COVID-19 pandemic. The Bank of Ghana indicated that it would monitor the effect of the pandemic and issue further directives as required.

In line with the loss posted for 2019 and in line with directives of the Bank of Ghana, the Directors do not recommend payment of dividend for the year under review.

4.0. CHANGES IN THE BOARD COMPOSITION

Over the past years, you have supported the bank with industrious, committed and dedicated individuals with diverse backgrounds and expertise to serve on the Bank's Board.

Since the last AGM Mr. Sui K. K. Fiawoo had resigned effective 1st August, 2019 and Mama Biana Dadzie I (Mrs. Paulina Adjua Dsani) also retired effective 2nd April, 2020 as Directors of the Bank after many years of meritorious services to the Bank. Distinguished Shareholders, kindly join me to extend our heartfelt gratitude to them for their dedicated service and immense contribution towards the development and growth of the Bank during their tenure.

The Board, at its 165th meeting held on 2nd May, 2020, co-opted Mr. Frank Lawoe, a Banker and an Accountant as a Non-executive Director. His appointment is subject to ratification by Shareholders at this AGM, and subsequent approval by the Bank of Ghana.

5.0. OUTLOOK FOR 2020

5.1. Effects of the COVID-19 Pandemic

The Banking sector reforms by Bank of Ghana as well as the introduction of Deposit Insurance Scheme to safeguard depositor's funds started to bring a renewed confidence to members of the public in the banking sector.

Since mid-March of 2020, the onset of the COVID-19 pandemic in Ghana has severely led to tremendous slowdown in economic activities. The impact on growth prospects remains uncertain worldwide, though the negative effects such as high level of unemployment due to closedown of businesses resulting from lockdowns and reduced business activities are already being felt.

The Bank of Ghana, in response, took various steps to ensure cash flow and provision of the needed financial support by banks to the economy during the pandemic including reviewing the policy rate downward to 14.5%, and restricting dividend payments.

The Board and Management have assessed the impact of the COVID-19 pandemic on our business and have taken the necessary measures to contain the situation in order to achieve the Bank's strategic objectives. Despite the challenges brought on by the COVID-19 pandemic, your bank has experienced stability, even recording some appreciable growth in deposits in the year 2020 to date.

5.2. Receipt of the Locked-Up Funds

Distinguished Shareholders, we are also glad to inform you that the Bank has received 88.36% of its locked-up funds from the Receiver in both cash (71.03%) and bonds (17.33%). Your Bank is therefore liquid and its future is bright. We are confident that the receipt of these funds will translate into a better performance as a result of the strategic initiatives in place.

I wish to assure you that the Directors have taken necessary steps to protect the depositors and shareholders funds.

5.3.Products and Services

Anlo Rural Bank Limited is leveraging on technology and the support of ARB Apex Bank Limited to expand our coverage and bring convenience and easy banking services to our cherished and valued customers by signing on to services such as Mobile Money Interoperability, GHIPSS Instant Pay, and Near Real Time (NRT) Interbank Transfers, etc.

Plans are also far advanced to roll out Controller and Accountant General Department (CAGD) loans to salaried workers that do not hold an account with the Bank.

5.4.Five (5) Years Strategic Plan

The Bank has developed a five year (2020-2024) Strategic Plan and restructured the Management of the bank to bring more focus on Business Development and Marketing as well as effective Enterprise Risk Management. Implementation is underway to enable the bank to reposition itself for efficiency, growth and to expand its market share to be the market leader in the industry.

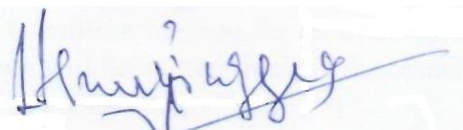
6.0. CONCLUSION

Distinguished Shareholders, on behalf of my colleagues on the Board, Management and Staff of Anlo Rural Bank Limited, I wish to express our appreciation to you, our valued Shareholders, for your continuous guidance, support and encouragement throughout the years. It is our conviction that you will continue to rally solidly behind the Board towards the growth of the Bank.

I also thank my colleagues on the Board for your commitment, encouragement, cooperation and good counsel that has brought the Bank this far. The Board wishes to commend our dedicated Management and staff for their work. May you continue to work hard for the mutual benefit of all stakeholders.

Finally, on behalf of Shareholders, the Board, Management and staff, may I express our profound appreciation to all our Customers, our Regulators the Bank of Ghana and the ARB Apex Bank Limited, individuals and organizations such as Association of Rural Banks and the Chiefs and People in the catchment area of the Bank for their continued support.

Thank you all for your kind attention.



LARRY K. JIAGGE
Board Chairman

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

We, the Directors of **Anlo Rural Bank Limited** have pleasure in submitting our annual report together with the Audited Financial Statements for the year ended December 31, 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY

Under the Companies Act 2019, (Act 992), we are responsible for preparing in respect of each financial year, Financial Statements which give a true and fair view of the state of affairs of the Bank, and of its profit or loss and cash flows for that year in accordance with International Financial Reporting Standards (IFRS), the Companies Act 2019, (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In preparing these financial statements we are required to select suitable accounting policies and apply them consistently, make judgments and estimates that are reasonable and prudent.

As directors we are responsible for keeping proper books of accounts which disclose with reasonable accuracy at any time the financial position of the Bank. We are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularity.

NATURE OF BUSINESS

The principal business of the company is to provide banking and related services including taking deposits and lending money.

FINANCIAL RESULTS AND DIVIDEND

The results for the year are as set out in the attached detailed Financial Statements on pages 21 to 54 and summarized below:

	2019 GH¢	2018 GH¢
(Loss)/ Profit before tax for the year	(66,729)	510,015
From which is deducted a tax charge of	(29,176)	(167,238)
	-----	-----
Resulting in a (Loss)/ Profit after tax of	(95,905)	342,777
To which must be added the balance brought forward on the Income Surplus Account at the beginning of the year of	865,782	1,555,582
	-----	-----
To bring the balance to	769,877	1,898,359
From which the following transfers were made:		
• Transfer to Statutory Reserve in accordance with Sect 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)	-	(85,694)
• Transfer to dividend tax payable	-	(16,000)
• Transfer to Social Responsibility Fund	-	(34,278)
• Transfer in respect of dividend declared	-	(215,244)
• Transfer to Credit Risk Reserve	9,917	(681,361)
	-----	-----
Leaving a balance on the Income Surplus Account to be Carried Forward of	779,794	865,782
	=====	=====

The directors do not recommend payment of dividend for the year under review.

REPORT OF THE DIRECTORS CONT'D
APPOINTMENT, RETIREMENT AND RE-ELECTION OF BOARD MEMBERS

In accordance with section 325 of the Companies Act 2019, (Act 992), and the Regulations of the Bank, Messrs Christian Rockson Kodzo Bensah and Dr. Kwasi Gbordzi retire by rotation and being eligible, offer themselves for re-election.

GOING CONCERN CONSIDERATIONS

The attached financial statements have been presented on the basis of accounting policies and conventions applicable to a going concern entity. As Directors, we have made the necessary assessment and evaluation of the future capital and other financial requirements of the company and nothing has come to our attention through that evaluative exercise that leads us to conclude that the company is not a going concern.

AUDITORS

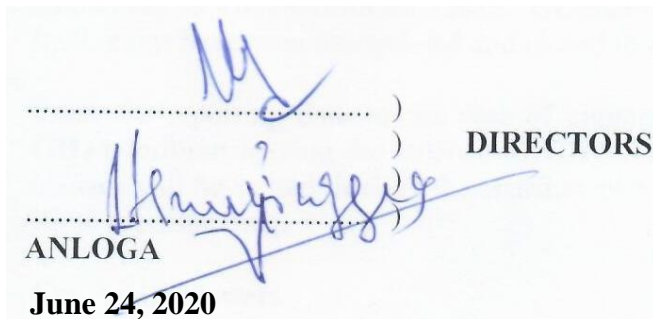
Messrs Nexia Debrah & Co. have indicated their willingness to continue in office as External Auditors of the Company in accordance with section 139 (4) of the Companies Act, 2019 (Act 992). We accordingly recommend their continued appointment.

MANAGEMENT REPRESENTATION

We certify that the Statement of Comprehensive Income and the Statement of Financial Position referred to in the report of the Auditors together with the notes thereon identified on pages 21-54 of this report have been prepared from records, information and representations made by us, the Directors of Anlo Rural Bank Limited.

So far as we are aware, there is no relevant audit information (i.e. information needed by the company's auditors in connection with their work and report) of which the company's auditors are unaware and each director has taken reasonable steps that ought to have been taken by a director in order to make him/her self aware of any relevant audit information and to establish that the company's auditors are aware of that information.

We confirm that to the best of our knowledge and belief the Financial Statements contain all transactions and that they are complete and accurate in all material respects. We approve the Statement of Comprehensive Income for the year ended December 31, 2019 and the Statement of Financial Position at that date together with the notes thereon this **24th Day of June 2020**.



.....)
.....) **DIRECTORS**
ANLOGA
June 24, 2020

Opinion

We have audited the financial statements of **Anlo Rural Bank Limited** which comprise the statement of financial position at 31st December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, together with the notes to the Financial Statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 21 to 54.

Subject to the effects of the comments made in the last two(2) paragraphs under the section of our report termed “Basis for Opinion”, in our opinion, these Financial Statements give a true and fair view of the financial position of Anlo Rural Bank Limited at 31st December 2019, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit – Taking Institutions Act, 2016 (Act 930).

Our report is made solely to the company’s members, as a body, in accordance with section 137(1)(a) of the Companies Act 2019, (Act 992). The purpose of our audit is to enable us to make a statement to the members of the company on those matters specifically required by law to be mentioned in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and its members as a body for our audit work, our report, or the opinions we have expressed herein above.

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 section of our report dealing with the Auditors’ Responsibilities for the Audit of the Financial Statements. In form and substance, we are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion having regards to the following matter.

As explained in note 10, a number of financial placements respectively with the IFS Financial Services Limited and CDH Savings and Loans Company Limited described as certificate of fixed deposits and amounting to **GH¢8.6million (2018: GH¢8.3million)** have gone past their maturity dates. These two Institutions have been deregulated and placed into Receivership by the Bank of Ghana.

From the reporting date to the date of signing of this report, the bank had redeemed the amount of **GH¢4.9million** leaving the balance of **GH¢3.7million**. The Receiver has indicated that the outstanding balance will be settled through the issuance of a Term Bond. The documentation required to establish the Bond is outstanding.

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. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ANLO RURAL BANK LIMITED (CONTINUED)**

**1.0 Revenue recognition
(GH¢2,489,975)**

Refer to Note 3 to the Financial Statements.

Revenue is recognized and recorded in the Financial Statements on the accrual basis, and to the extent that it is probable that economic benefits will flow to the Bank and the related revenue can be reliably measured. Majority of the Bank's revenues were derived from rate sensitive assets and the reliability and accuracy of such revenues relate in a large measure to the financial profile and features of such assets.

How the matter was addressed in our audit

We evaluated loan agreements and investment certificates issued at either side of the reporting date and assessed whether the related revenues were recognized in the correct reporting period. We recomputed interest income earned on investment during the year to ascertain reasonableness and accuracy. We also developed an expectation of the current year revenue balance based on trend analysis, particularly trends in the historical interest rates and monthly movements in rate sensitive assets. We then compared the expectation to actual results and ascertained reasons for any significant departures or differences. We also considered the adequacy of the Company's disclosures in respect of revenue.

**2.0 Existence and Valuation of Loans and Advances
(GH¢3,098,147)**

Refer to Note 12 to the Financial Statements.

Loans and Advances are non-derivative financial assets having a fixed or determinable 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 (transaction costs excepted), and measured subsequently at amortised cost using the effective interest method. Where any impairment arises the estimated impairment loss is fully provided for and recognized in the profit and loss as charge for credit losses.

How the matter was addressed in our audit

We tested controls over loans and advances and reconciled sampled balances to relevant records. We also reviewed the classification of loans and advances as basis to assess the adequacy of the provision for bad and doubtful debts and general impairment at the reporting date.

We also considered the adequacy of the Company's disclosures in respect of those loans and advances.

**3.0 Existence and Valuation of Investments
(GH¢13,286,050)**

Refer to Note 10 to the Financial Statements.

The Bank keeps quite a large number of investments with significant values in respect of Treasury Bills, and Fixed Deposits. Valuation of these investments is related in a large measure to the proper accrual of related revenues at the reporting date.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ANLO RURAL BANK LIMITED (CONTINUED)**

How the matter was addressed in our audit

For fixed deposit investments, we inspected investment certificates issued by the investee entities and recomputed earned interest up to the reporting date. We generally confirmed additions and redemptions to supporting documentation for all investment types. We reviewed independent statements issued by custodial and depository entities and reconciled to the ledgers of the company and tested the valuation of quoted investments to the market.

We also considered the adequacy of the Company's disclosures in respect of those investments.

Other Information

Other information in this context comprises the information included in the Annual Report and the Directors' Report as required by the Companies Act, 2019 (Act 992). The other information does not include the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. 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 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), and the Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930).

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, 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.

Responsibilities of the Auditors 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 audit 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 audit. We also:

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ANLO RURAL BANK LIMITED (CONTINUED)**

- 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 misstatement 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- 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 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 audit 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 audit report. However, future events or conditions which are beyond the scope of this report 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 Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be considered to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with the Directors, those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our audit 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 interest benefits of such communication.

Emphasis of Matter

Without forming the basis of any qualification in our audit report, we highlight the obvious fact that the provisions made by the Bank for corporate taxes are subject to the agreement of the Ghana Revenue Authority.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ANLO RURAL BANK LIMITED (CONTINUED)**

Report on Other Legal and Regulatory Requirements

- (a) Under the Companies Act 2019 (Act 992) we are required, when carrying out our audit, to consider and report on certain specific matters. We accordingly report that:
- i) 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;
 - ii) In our opinion proper books of account have been kept by the Bank, as far as appears from our examination of those books; and
 - iii) In all material respect, the Bank's Statement of Financial position and statements of comprehensive income and cash flows are in agreement with the books of account.
- (b) Section 85(2) of the Banks and Specialised Deposit – Taking Institutions Act, 2016 (Act 930) also requires that we state certain matters in our report. We accordingly state that:
- i) We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
 - ii) The Bank's transactions were within its powers;
 - iii) The Bank has complied in all material respect with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), and the Anti-Terrorism Act, 2008 (Act 762); and
 - iv) The Bank has complied in all material respects with the provisions of 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 **Kwame Manu-Debrah (ICAG/P/1264)**.



**(ICAG/F/069) Chartered Accountants
BCB Legacy House
#1 Nii Amugi Avenue
East Adabraka, Accra
P. O. Box CT 1552
Cantonments -Accra
Ghana.**

**June 24, 2020
Accra**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Notes	2019 GH¢	2018 GH¢
Interest Income	3	2,489,975	3,730,618
Interest Expenses	4	(626,657)	(572,100)
Net Interest Income		1,863,318	3,158,518
Commissions and Fees	5	201,285	164,825
Other Operating Income	6	123,619	105,637
Total Operating Income		2,188,222	3,428,980
Charge for Credit Losses	12d	(314)	(55,329)
Operating Costs	7	(2,254,637)	(2,863,636)
Profit before Taxation		(66,729)	510,015
Taxation	19i	(29,176)	(167,238)
		(95,905)	342,777
Other Comprehensive Income		-	-
Comprehensive Income for the year		(95,905)	342,777
 <u>Earnings Per Share (EPS)</u>			
Basic and Diluted Earnings per Share (in GHP)	27	(0.15)	0.53

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	NOTES	2019 GH¢	2018 GH¢	01/01/2018 GH¢
ASSETS				
Cash and Bank Balances	9	1,131,658	1,279,849	853,174
Short Term Investments	10	13,286,050	12,713,665	10,980,457
Apex Bank Deposit Reserve	11	745,007	645,344	541,966
Loans and Advances to Customers	12	3,098,147	1,937,676	2,179,295
Deferred Tax	19(v)	-	4,725	2,551
Taxation	19(iii)	84,463	58,088	250
Equity Investments	13	82,539	82,539	82,539
Other Assets	14	276,644	159,258	438,402
Property and Equipment	20	1,199,259	1,343,864	1,420,204
TOTAL ASSETS		19,903,767	18,225,008	16,498,838
LIABILITIES & SHAREHOLDERS' FUNDS				
Liabilities				
Customer Deposits	15	14,809,273	12,860,782	11,429,919
Creditors and Accruals	16	417,582	305,247	449,929
Managed Funds	26	41,130	41,130	41,130
Dividend Payable	17	142,234	201,709	139,731
Medium Term Loan	18	62,486	312,494	41,666
Deferred Tax Liability	19(v)	24,451	-	-
Total Liabilities		15,497,156	13,721,362	12,102,375
Shareholders Funds				
Stated Capital	23	1,324,660	1,320,460	1,319,260
Statutory Reserve Fund	21	1,376,557	1,376,557	1,290,863
Income Surplus Account	24	779,794	865,782	1,555,582
Social Responsibility Fund	22	214,752	220,082	191,354
Capital Surplus	25	39,404	39,404	39,404
Credit Risk Reserve	28	671,444	681,361	-
Total Shareholders' Funds		4,406,611	4,503,646	4,396,463
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		19,903,767	18,225,008	16,498,838

Net Asset per Share (GH¢ per Share)	6.79	6.95	7.15
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.....)
.....) **DIRECTORS**

ANLOGA

June 24, 2020

**CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	GH¢	GH¢
Operating Activities		
Profit before Tax	(66,729)	510,015
Add Depreciation	172,247	233,855
Gain on disposal	-	(3,208)
	-----	-----
Cash Inflow before Changes in Operating	105,518	740,662
Assets and Liabilities		
Decrease /(Increase) in Loans and Advances	(1,170,605)	166,447
Decrease/(Increase) in Other Assets	(117,387)	272,540
Increase /(Decrease) in Creditors and Accruals	122,156	(253,410)
Increase/(Decrease) in Customer Deposits	1,948,491	1,550,038
Provision for Credit Losses	314	55,329
	-----	-----
	782,969	1,790,944
	-----	-----
Cash flow from Operating Activities	888,487	2,531,606
Dividends and Corporate Tax		
Tax Paid	(26,375)	(227,250)
Dividend Paid	(59,475)	(153,266)
	-----	-----
	(85,850)	(380,516)
Investing Activities		
Property and Equipment Purchased	(27,642)	(157,515)
Proceeds from Disposal	-	3,208
	-----	-----
Cash Outflow from Investing Activities	(27,642)	(154,307)
Financing:		
Proceeds from Issue of Shares	4,200	1,200
Payment of Social Responsibility	(5,330)	(5,550)
Medium Term Loan	(250,008)	270,827
	-----	-----
Net Cash Inflow from Financing	(251,138)	266,477
	-----	-----
Net Increase/(Decrease) in Cash and Cash Equivalent	523,857	2,263,261
Cash and Cash Equivalents at January 1	14,638,858	12,375,597
	-----	-----
Cash and Cash Equivalents at December 31	15,152,715	14,638,858
	=====	=====
Analysis of Cash and Cash Equivalents as shown in the Balance Sheet		
APEX Deposits Reserve	745,007	645,344
Cash and Bank Balances	1,131,658	1,279,849
Short Term Investments	13,286,050	12,713,665
	-----	-----
	15,152,715	14,638,858
	=====	=====

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Stated Capital GH¢	Social Respon. Fund GH¢	Statutory Reserve Fund GH¢	Capital Surplus GH¢	Credit Risk Reserve GH¢	Income Surplus GH¢	Total GH¢
<u>2019</u>							
Balance At 1 st January	1,320,460	220,082	1,376,557	39,404	681,361	865,782	4,503,646
Issue of Shares for Cash	4,200	-	-	-	-	-	4,200
Net Profit/ (Loss) for the Year	-	-	-	-	-	(95,905)	(95,905)
Transfer from Income Surplus	-	-	-	-	-	-	-
Dividend Declared	-	-	-	-	-	-	-
Social Responsibility Fund	-	-	-	-	-	-	-
Social Responsibility Exp.	-	(5,330)	-	-	-	-	(5,330)
Transfer from Income surplus-	-	-	-	-	-	-	-
Proceeds from Bonus Share	-	-	-	-	-	-	-
Credit Risk Reserve	-	-	-	-	(9,917)	9,917	-
Balance At 31st December	1,324,660	214,752	1,376,557	39,404	671,444	779,794	4,406,611
<u>2018</u>							
Balance At 1 st January	1,319,260	191,354	1,290,863	39,404	-	1,555,582	4,396,463
Issue of Shares for Cash	1,200	-	-	-	-	-	1,200
Net Profit for the Year	-	-	-	-	-	371,100	371,100
Transfer from Income Surplus	-	-	85,694	-	-	(85,694)	-
Dividend Declared	-	-	-	-	-	(215,244)	(215,244)
Social Responsibility Fund	-	34,278	-	-	-	(34,278)	-
Social Responsibility Exp.	-	(5,550)	-	-	-	-	(5,550)
Transfer in respect of Wthholding Tax	-	-	-	-	-	(16,000)	(16,000)
Proceeds from Bonus Share	-	-	-	-	-	-	-
Credit Risk Reserve	-	-	-	-	681,361	(681,361)	-
Balance At 31st December	1,320,460	220,082	1,376,557	39,404	681,361	865,782	4,503,646

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. THE REPORTING ENTITY

1.1 The Company

The Anlo Rural Bank Limited is a limited liability company registered under Ghanaian Legislation and authorized by its Regulations and a banking license issued by the Bank of Ghana to engage in the provision of banking and related services including the taking of deposits and lending of money.

The bank is domiciled in Ghana with its head office and network of Agencies located within the Volta region of Ghana. The registered office is at Anloga in the Volta Region of Ghana.

The audited Financial Statements were authorized for issue by the Board of Directors on **2nd day of May, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the bank for the year ended 31st December 2019 incorporate the principal accounting policies set out below, including changes introduced by the International Financial Reporting Standards (IFRS).

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

2.1 Basis of Presentation

The bank prepares its Financial Statements under the historical cost basis as modified by the revaluation of certain assets and liabilities through the assessment of impairment and fair value measurement. The financial statements are prepared and presented on the basis of accounting policies and conventions applicable to a going concern entity. The directors have carried out the necessary assessment and evaluation of the future capital and other financial requirements of the bank and nothing has emerged through that evaluative exercise that can lead to the conclusion that the bank is not a going concern. The Financial Statements are presented in Ghana Cedis (**GHC**) which is the Bank's presentation and functional currency. All amounts have been rounded to the nearest Ghana Cedi unless otherwise stated.

2.2 Income Recognition

Income is recognized and recorded in the Financial Statements on the accrual basis, and to the extent that it is probable that economic benefits will flow to the Bank and the related revenue can be reliably measured.

Interest Income

The effective interest method is used as basis to recognize interest income in the profit and loss account for all interest – bearing financial instruments including loans and advances. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Commissions and Fees

Commissions and loan fees are credited to income when earned with reasonable certainty and in the case of loan fees, deferred and spread over the loans tenure. The unearned fees are disclosed separately as a set off against the loans balances.

Other Operating Income

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

2.3 Interest Expense

Interest expense is recognized in the profit or loss for all interest bearing Financial Instruments measured at amortised cost, including savings and fixed deposits, 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 net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument.

2.4 Financial Assets and Liabilities

Financial Assets and Liabilities are recognized in the bank's balance sheet in accordance with measurement criteria explained below:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2.4.1 *Financial Assets*

A financial asset is an asset that is either cash, a contractual right to receive cash, the right to exchange a financial instrument with another accounting entity under potentially favourable terms or an equity instrument of another entity. The financial assets of the bank are in three categories namely, Loans and Advances, Investment Held to Maturity, and Available for sale Financial Assets.

a. Loans and Advances

Loans and Advances are non-derivative financial assets having a fixed or determinable 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 amortised cost using the effective interest method. Where any impairment arises the estimated impairment loss is fully provided for and recognized in the profit and loss as charge for credit losses.

b. Held to Maturity Financial Assets

Held to Maturity assets are non-derivative financial assets with a fixed or determinable payments and tenor in which the bank has a positive interest and ability to hold to maturity. Such financial assets are not measured at fair value through profit or loss, but are rather carried at amortised cost using the effective interest method less any impairment losses.

For instance, bills discounted and securities with a fixed redemption date which are purchased with the intention of being held to maturity are initially recognized at cost and subsequently adjusted to give effect to amortization of premiums and discounts on purchase over the period to redemption

c. Available for Sale Financial Assets

Available for Sale financial assets are those intended to be held for indeterminate period of time, and which may be sold in response to challenges arising from liquidity, changes in interest rates or other such financial market indices and which have not been classified as loans and advances, assets held to maturity or at fair value through profit and loss.

2.4.2 *Financial Liabilities*

Financial liabilities are contractual obligations to either deliver cash or another financial asset to another accounting entity, or to exchange financial instrument with another entity on potentially unfavourable terms. These may be measured either at fair value through profit or loss, or at amortised cost depending on their sub-categorization.

a. Financial liabilities at fair value

These are liabilities which are measured at the current market value through the profit or loss subsequent to their initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

b. Financial liabilities measured at amortised cost

Liabilities which are not measured at current market value fall under this category. These are essentially non-trading liabilities which are not quoted in any active market and are therefore measured at amortised cost.

2.4.3 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 transportation. 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 Anlo Rural Bank Limited.

2.5 Impairment of Financial Asset

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 adverse impact on the estimated future cash flow of such financial asset, or group of financial assets.

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

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

Impairment of Loans and Advances

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2.6 Impairment of Non-Financial Asset

Non financial assets are assets that have indefinite useful life and are not subject to amortization and are tested annually 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 Assets 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 possible reversal of the impairment at each reporting date.

2.7 Cash and Cash Equivalents

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

2.8 Equity Investment

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

2.9 Property and Equipment

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

Depreciation is recognized in the profit or loss on a straight line basis to write off the cost less residual amount over their estimated useful lives as follows:

Motor Vehicle	20%
Office Equipment	25%
Furniture & Fittings	20%
Building	2%
Computers & Accessories	33.33%
Motor Cycles	33.33%
Refurbishments/Renovations	Over the period of lease

2.10 Income Tax

Current Tax

In accordance with the most recent tax legislation, the current income tax expense of rural banks is calculated at 25% of chargeable income. There are tax sensitive income and expenditure items which precipitate a numerical difference between the reported profits or losses and chargeable income for a particular period. Where these differences exist and are material, reconciliation is prepared to enable an easy identification of the effective tax rate for any period of assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Deferred Tax

Deferred income tax is calculated and provided for in full using the liability method on temporary differences that may arise from the tax basis of assets and liabilities and their carrying amounts in the Financial Statements. 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 realised or when the deferred income tax liability may be settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and such future profits can be reliably measured. As a result, deferred tax assets are reviewed periodically to ensure that their expected recoverable values grounding their initial recognition have not been impaired and where they have, to reduce the related deferred tax assets to their recoverable amounts.

2.11 Provisions

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

2.12 Stated Capital and Reserves

(a) Stated Capital

Stated Capital comprises amount arising from the issue of shares for cash and transfers from retained earnings and other surpluses as defined under the Companies Act 2019 (Act 992). These shares are not redeemable by holders in the normal course of business. Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders.

(b) Statutory Reserves

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

(c) Capital Surplus/Reserves

The capital surplus account is a creation of law under sections 70 and 71 of the 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.

(d) Income Surplus (Retained Earnings)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(e) Credit Risk Reserve

Credit Risk Reserve is an appropriation from Income Surplus as a cover for non-collateralized loans and advances granted to the customers of the bank. The bank reviews its loans and overdraft portfolios annually for all non-collateralized assets and makes provision for it by transferring from the Income Surplus Account to the credit Risk Reserve Account. The current year balance on the Credit Risk Reserve Account is compared to the previous year balance and the difference adjusted through the Income Surplus Account.

2.13 Post Balance Sheet Events

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

2.14 Employment Benefit

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

National Pension

The Company contributes 13.50% of qualifying employee costs to a National Pensions Scheme and the contribution is charged to the Profit and Loss Account as part of total Employee Benefit. The National Pension Scheme is a creation of law and managed by the Government of Ghana through the appropriate public and private sector entities.

2.15 New standards and interpretations not yet adopted

There are new or revised Accounting Standards and Interpretation in issue that are not yet effective and have not been applied in preparing these Financial Statements. Except for the one listed below, the other new standards and amendments will not have any impact on the Company's Financial Statements.

Standard/Interpretation		Effective date (Annual Periods beginning on or after)
IFRS 16	<i>Leases</i>	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model or lessees, which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1st January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

	2019	2018
	GH¢	GH¢
3. INTEREST INCOME		
Interest on Deposit with other Banks	-	2,110
Loans and Advances	1,123,140	929,485
Government Securities & Other Investments	1,366,835	2,799,023
	-----	-----
	2,489,975	3,730,618
	=====	=====
4. INTEREST EXPENSE		
Interest on Borrowing	43,838	82,637
Savings Accounts	192,760	187,352
Interest on Fixed Deposit	390,059	302,111
	-----	-----
	626,657	572,100
	=====	=====
5. COMMISSIONS AND FEES		
Commission on Electronic Mail Transfer	289	1,173
Cheque Clearing Fees	4,996	2,438
Commitment Fees	46,479	22,618
Commission on Turnover	149,521	138,596
	-----	-----
	201,285	164,825
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	GH¢	GH¢
6. OTHER OPERATING INCOME		
Profit on Disposal	-	3,208
Service Charges,	15,372	19,352
Other Income	108,247	83,078
	-----	-----
	123,619	105,637
	=====	=====
7. OPERATING COSTS		
Staff Related Costs (See note 8)	945,129	1,090,610
Depreciation (See note 18)	172,247	233,855
Directors' Remuneration	140,001	163,420
Donation	-	2,000
Audit Fees	25,000	21,600
Computerization	100,170	90,483
General and Administrative Costs	872,090	1,261,668
	-----	-----
	2,254,637	2,863,636
	=====	=====
8. STAFF RELATED COSTS		
Staff Remuneration	640,926	685,102
Staff Social Security Costs	80,906	84,162
Staff Provident Fund	46,677	49,107
Staff Medical Cost	12,602	14,700
Other Staff Allowances	164,018	257,539
	-----	-----
	945,129	1,090,610
	=====	=====
9. CASH AND BANK BALANCES		
Apex Clearing Account	530,182	544,814
Un-cleared Effects	5,275	181,324
	-----	-----
	535,457	726,138
GCB Clearing Account	37,499	104,819
CBG Bank Limited	90	-
Cash Holdings	558,612	448,892
	-----	-----
	1,131,658	1,279,849
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	GH¢	GH¢
10. SHORT TERM INVESTMENTS		
A. Treasury Bills Redeemable within 90 & 182 days		
At Redemption Value	2,735,850	865,281
Less: Unearned Discount at reporting dates	(150,486)	(12,697)
	-----	-----
	2,585,364	852,584
B. Fixed Deposits		
Fixed Deposit with Waica Re Capital	500,000	500,000
Fixed Deposit with Dalex Finance & Leasing Co. Ltd.	1,522,143	1,934,122
Fixed Deposit with IFS Financial Services (In Receivership)	3,260,701	3,723,304
Fixed Deposit with CDH Savings and Loans Co. Ltd. (- do -)	5,417,842	5,703,655
	-----	-----
	13,286,050	12,713,665
	=====	=====

During the year 2019, the Bank of Ghana withdrew the operating licenses of IFS Financial Services Limited and CDH Savings and Loans Company Limited and placed the entities under Receivership. Prior thereto, **Gh¢8.3 million** of the Fixed Deposit investment due from these two entities had gone past due dates and had become the subject matter for audit comment and basis for a qualified audit opinion.

In addition to the outstanding fixed deposit investment gone past due in 2018, **Gh¢1.1 million** also became due in 2019 and remained unpaid, bringing the total matured investment inclusive of interest to **Gh¢9.4million**. Of this total amount, **Gh¢1.6million** thereof was redeemed in 2019 and a further amount of GH¢ 4.1million had been redeemed in 2020 up to the date of signing of this report. The directors are expectant to receive the outstanding balance of **Gh¢3.7 million**.

The Receiver of the two companies has indicated that, the remaining balance of GH¢3.7 million will be settled through the issuance of a 5-year bond. The documentation required to establish the bond is outstanding.

11. APEX BANK DEPOSIT RESERVE

Balance at 1 st January	654,344	541,966
Net Investments during the year	99,663	103,378
	-----	-----
Balance at 31st December	745,007	645,344
	=====	=====

12. LOANS AND ADVANCES

(a) Analysed by Type of Facility		
Overdraft	311,059	221,531
Loans	2,949,767	1,868,689
	-----	-----
	3,260,825	2,090,220
Less Provision for Credit Losses	(106,549)	(132,702)
Deferred Income on Commitment Fees (See Note 31)	(29,662)	(19,842)
Bad Debt Written off	(26,467)	-
	-----	-----
	3,098,147	1,937,676
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Impairment Statistics

(i) Credit loss provision ratio	0.009%	2.65 %
(ii) Cumulative credit loss provision ratio	3.26%	6.34%

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¢ 135,360 (2018: GH¢ 119,687)**.

	2019 GH¢	2018 GH¢
(b) Analysed by Type of Customer		
Staff	135,360	119,687
Other Private Enterprises	508,544	471,740
Individuals	2,616,921	1,498,793
	-----	-----
	3,260,825	2,090,220
Less Provision for Credit Losses	(106,549)	(132,702)
Deferred Income on Commitment Fees (See Note 31)	(29,662)	(19,842)
Bad Debt Written off	(26,467)	-
	-----	-----
	3,098,147	1,937,676
	=====	=====

(c) Analysed by Business Segment		
Agriculture	25,880	18,340
Dzidedi	21,933	10,133
Susu Loans	467,838	319,734
Staff Loan	135,360	119,687
Transport	-	19,509
Salary loans	560,134	452,547
Commerce	2,049,680	1,150,270
	-----	-----
	3,060,825	2,090,220
Less Provision for Credit Losses	(106,549)	(132,702)
Deferred Income on Commitment Fees (See Note 29)	(29,662)	(19,842)
Bad Debt Written off	(26,467)	-
	-----	-----
	3,098,147	1,937,676
	=====	=====

(d) Movement in the Provision for Credit Losses		
Balance on the Provision at 1 st January	132,702	77,373
Additional Provision for the year	314	55,329
Bad Debt Written off	(26,467)	-
	-----	-----
Balance on the Provision at 31 st December	106,549	132,702
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

<u>Category</u>	<u>Percent Provision</u>	<u>2019 GH¢</u>	<u>2018 GH¢</u>
Current	1%	28,970	17,942
Other Loans Especially Mentioned (OLEM)	10%	233	26
Substandard	25%	-	316
Doubtful	50%	3,247	9,556
Loss	100%	74,099	93,378
		-----	-----
		106,549	121,218
Add Impairment Loss		-	11,484
		-----	-----
		106,549	132,702
		=====	=====

13. EQUITY INVESTMENTS

	<u>Shares</u>	<u>Cost/ Value GH¢</u>	<u>2019 GH¢</u>	<u>2018 GH¢</u>
Ordinary Shares in ARB Apex Bank at Cost	20,000	0.10	2,000	2,000
Bonus Shares given in 2008	24,590	1.00	24,590	24,590
Renounceable Rights purchased	33,443	1.23	41,135	41,135
	-----	----	-----	-----
	78,033		67,725	67,725
Additional Bonus Shares given in 2011	12,044	1.23	14,814	14,814
	-----	----	-----	-----
At Revaluation	90,077	0.92	82,539	82,539
	=====	====	=====	=====

Equity Investments are non-current and represent the Bank's investments in the equity of ARB Apex Bank Limited

14. OTHER ASSETS

Interest and Commission Accrued	25,687	330
E-Zwich Operation	30,905	-
Subscription Prepaid	13,128	10,177
Office Account	97,534	13,120
Insurance Prepaid	23,586	20,312
Inventory	36,703	47,019
Rent Prepaid	49,100	68,300
	-----	-----
	276,644	159,258
	=====	=====

15. CUSTOMER DEPOSITS

(a) Analysed by Type of Account

Susu Saving Scheme	1,208,468	974,918
Current Account	2,356,398	2,308,120
Time Deposits	3,517,901	2,801,396
Savings Account	7,726,505	6,776,348
	-----	-----
	14,809,273	12,860,782
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	GH¢	GH¢
(b) Analysed by Type of Customer		
Government Agencies and Departments	423,957	374,213
Private Enterprises	815,723	623,552
Individuals	13,569,593	11,863,017
	-----	-----
	14,809,273	12,860,782
	=====	=====

16. CREDITORS AND ACCURALS

Inter-Agency Balance	-	250
U-Connect Operation	-	2,134
Provision for Police Guard	1,200	4,800
E-Zwich Operation	-	1,027
Planting for Food and Jobs	7,687	7,981
Withholding Tax	-	16,000
Provision for Audit Fees	25,000	20,000
Provision for Audit Expenses	2,790	1,215
Provision for Annual General Meetings	32,230	22,030
Bill Payable	39,708	119,842
Office Accounts	308,967	109,968
	-----	-----
	417,582	305,247
	=====	=====

17. DIVIDEND PAYABLE

Balance at 1 st January	201,709	139,731
Dividend Declared	-	215,244
	-----	-----
Dividend Paid during the Year	201,709	354,975
	(59,475)	(153,266)
	-----	-----
Balance at 31 st December	142,234	201,709
	=====	=====

Dividend is declared based on proposals and recommendations made by directors to the shareholders of the bank as a body in regular meeting.

The next Annual General Meeting to be held in **2020** will be in respect of the financial year ended on **31st December 2019**. The directors do not recommend the payment of dividends for the year under review.

Beside ordinary shares, there are no other distinctive class or categories of shares which entitle holders to the receipt of any dividend when declared.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2019 GH¢	2018 GH¢	
18. MEDIUM TERM LOAN			
ARB Apex Bank Limited loan	62,486	312,494	
	=====	=====	
<p>This represents a loans from ARB Apex Bank Limited taken to acquire ATM Machine and to support microfinance loans in 2018. At the end of 2019, a total of GH¢250,008 in principal had been paid out, leaving a balance of GH¢62,486.</p>			
19. TAXATION			
	2019 GH¢	2018 GH¢	2017 GH¢
(i) Tax Expense			
Current Tax (see note 19 iii)	-	169,412	299,450
Tax Audit Corrections	-	-	-
Deferred Tax (see note 19 v)	29,176	(2,174)	(41,819)
	-----	-----	-----
Total to Profit or Loss	29,176	167,238	257,631
	=====	=====	=====
(ii) Reconciliation of Effective Tax Rate			
	2019 GH¢	2018 GH¢	2017 GH¢
Profit /(loss) before Tax	(81,599)	510,015	1,099,289
	=====	=====	=====
Income tax @ 25% (2018: 25%)	-	127,503	274,823
Tax Effect of Non-deductible Expenses	43,140	100,317	87,672
Tax Effect of Allowance Utilised	(48,055)	(58,408)	(63,045)
	-----	-----	-----
Current Tax Charge in P/L	-	169,412	299,450
	=====	=====	=====
Effective Tax Rate	Nil	33.22%	27.24%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(iii) 2019 YOA

	Balance at 1/1/19 GH¢	Charge in P & L A/c GH¢	Tax Audit Adjustment GH¢	Tax Credit/ Payments GH¢	Balance at 31/12/19 GH¢
Corporate Tax					
2015	24,000	-	-	-	24,000
2016	(24,000)	-	-	-	(24,000)
2017	(250)	-	-	-	(250)
2018	(57,838)	-	-	-	(57,838)
2019	-	-	-	(26,375)	(26,375)
	-----	-----	-----	-----	-----
Total	(58,088)	-	-	(26,375)	(84,463)
	-----	-----	-----	-----	-----

Comprising:	2019 GH¢	2018 GH¢
Corporate Tax	-	169,412
Others	-	-
	-----	-----
	-	169,412
	=====	=====

Corporate Income Tax is charged at 25% (**2018: 25%**) of Taxable Profits. All tax liabilities and credits are subject to the Agreement of the Domestic Tax Revenue Division of the Ghana Revenue Authority.

(iv) 2018 YOA

	Balance at 1/1/18 GH¢	Charge in P & L A/c GH¢	Tax Audit Adjustment GH¢	Tax Credit/ Payments GH¢	Balance at 31/12/18 GH¢
Corporate Tax					
2015	24,000	-	-	-	24,000
2016	(24,000)	-	-	-	(24,000)
2017	(250)	-	-	-	(250)
2018	-	169,412	-	(227,250)	(57,838)
	-----	-----	-----	-----	-----
Sub Total	(250)	169,412	-	(227,250)	(58,088)
	-----	-----	-----	-----	-----
Other Taxes					
2015 - 2016	-	-	-	-	-
	-----	-----	-----	-----	-----
Sub Total	-	-	-	-	-
	-----	-----	-----	-----	-----
Total	(250)	169,412	-	(227,250)	(58,088)
	=====	=====	=====	=====	=====

(v) Deferred Tax Account

Balance at January 1	(4,725)	(2,551)
Released during the year	29,176	(2,174)
	-----	-----
Balance at December 31	24,451	(4,725)
	=====	=====

Deferred income tax is determined on temporary differences under the liability method using a principal tax rate of 25%. The movement on the deferred tax account is as indicated above. The position of deferred tax is attributable to the following items.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Explained by:	2019 GH¢	2018 GH¢
Property, Plant and Equipment	28,553	23,560
Loans and Advances	(13,953)	(38,136)
Unquoted Equity	9,851	9,851
	-----	-----
	24,451	(4,725)
	=====	=====

20. PROPERTY, PLANT & EQUIPMENT

	Land & Building GH¢	Building Renovat. GH¢	Motor Vehicle GH¢	Furniture & Fittings GH¢	Office Equip. GH¢	Computer Access. GH¢	Total GH¢
Cost							
At 1/1/19	1,033,934	110,815	346,531	252,484	541,861	193,906	2,479,531
Additions	-	-	-	-	27,642	-	27,642
	-----	-----	-----	-----	-----	-----	-----
At 31/12/19	1,033,934	110,815	346,531	252,484	569,503	193,906	2,507,173
	=====	=====	=====	=====	=====	=====	=====

Depreciation

At 1/1/1	91,855	62,375	253,691	143,428	402,571	181,747	1,135,667
Charge for the year	20,529	5,541	34,711	26,190	78,078	7,199	172,247
	-----	-----	-----	-----	-----	-----	-----
At 31/12/19	112,384	67,916	288,402	169,618	480,649	188,946	1,307,914
	=====	=====	=====	=====	=====	=====	=====

Net Book Value

At 31/12/19	921,550	42,899	58,129	82,866	88,854	4,960	1,199,259
	=====	=====	=====	=====	=====	=====	=====
At 31/12/18	942,079	48,440	92,840	109,056	139,290	12,159	1,343,864
	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. STATUTORY RESERVE FUND

	2019	2018
	GH¢	GH¢
At January 1 st	1,376,557	1,290,863
Transferred from Income Surplus Account	-	85,694
	-----	-----
At December 31 st	1,376,557	1,376,557
	=====	=====

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 the existing Statutory Reserve Fund to paid up capital, the proportion of after-tax profits required to be transferred to this reserve fund ranges from 12.5% to 50%.

During the year, the bank recorded a net loss of GH¢ (95,905) hence no transfer to the Statutory Reserved Fund was made as compared to **2018 when a transfer of GH¢58,541** was made representing **25%** of after tax profits.

22. SOCIAL RESPONSIBILITY FUND

At January 1 st	220,082	191,354
Transfer from Income Surplus	-	34,278
Expenditure	(5,330)	(5,550)
	-----	-----
	214,752	220,082
	=====	=====

23. STATED CAPITAL

	2019		2018	
	<u>No. of Shares</u>	<u>Amount</u>	<u>No. of Shares</u>	<u>Amount</u>
		GH¢		GH¢
Authorized:				
Ordinary Shares @ 31 st December	130,000,000	-	130,000,000	-
	-----	----	-----	----
	130,000,000	-	130,000,000	-
	=====	====	=====	====
Issued for:				
Cash Consideration				
At January 1	67,710	381,960	67,510	380,760
Additions	700	4,200	200	1,200
	-----	-----	-----	-----
	68,410	386,160	67,710	381,960
Other than Cash				
Bonus Shares Issued in 2015	23,168	174,716	23,168	174,716
Bonus Shares Issued in 2016	524,305	563,784	524,305	563,784
Bonus Shares Issued in 2017	32,349	200,000	32,349	200,000
	-----	-----	-----	-----
At December 31	648,232	1,324,660	647,532	1,320,460
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

<u>Capital Adequacy</u>	2019	2018
	Required by Regulation	Actually Achieved
Capital Adequacy Ratio	10%	54.81%

	2019	2018
	GH¢	GH¢
24. INCOME SURPLUS		
Balance at January 1 st	865,782	1,555,582
Dividends Declared	-	(215,244)
	-----	-----
	865,782	1,340,338
Profit/ (loss) after taxation transferred from Profit and Loss	(95,905)	342,777
	-----	-----
Balance before Statutory and Other Transfers	769,877	1,683,115
Transfer to Social Responsibility Fund	-	(34,278)
Transfer to Statutory Reserve (Note 21)	-	(85,694)
Transfer in respect of withholding Tax	-	(16,000)
Transfer to Credit Risk Reserve	9,917	(681,361)
	-----	-----
Balance at December 31st	779,794	865,782
	=====	=====
25. CAPITAL SURPLUS		
At January 1st	39,404	39,404
Net Movement	-	-
	-----	-----
	39,404	39,404
	=====	=====

This represents the unrealized appreciation in the value of equity investments made in the ARB Apex Bank Limited, including the value of bonus shares received of GH¢24,590 and GH¢14,814 respectively in 2008 and 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	GHC	GHC
26. MANAGED FUND		
MOWAC	315	315
Microfinance	327	327
Outboard Motor Fund	2,485	2,485
Fishmongers	9,699	9,699
Special Traders Fund	17,000	17,000
Special Farmers Fund	34,550	34,550
FABS	40,240	40,240
	-----	-----
	104,616	104,616
Managed Fund Debit	(63,486)	(63,486)
	-----	-----
	41,130	41,130
	=====	=====

The board resolved and agreed that the managed fund in the books of the Bank be classified and treated as instruction to pay only, with no obligation nor liability for recovery of the disbursed funds from beneficiary as the payments were made against instructions received.

27. EARNINGS PER SHARE

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

	2019	2018
	GHC	GHC
Profit/ (loss)attributable to Ordinary Shareholders	(95,905)	342,777
	=====	=====
Weighted Average number of Ordinary Shares	648,140	647,432
	=====	=====
Basic Earnings per Share (in Ghana Pesewa)	(0.15)	0.53
	=====	=====

(Note: The bank had no category of dilutive potential ordinary shares at both reporting dates. The diluted earnings per share is therefore the same as the basic earnings per share.)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	GH¢	GH¢
28. CREDIT RISK RESERVE		
At January 1st	681,361	-
Net Movement	(9,917)	681,361
	-----	-----
At December 31st	671,444	681,361
	=====	=====

Credit Risk Reserves is an appropriation from Income Surplus as a cover for non-collateralized loans and advances granted to the customers of the bank. The balance at the current reporting date is compared to the balance at the previous reporting date and the difference adjusted through the Income Surplus Account.

	2019	2018
	GH¢	GH¢
29. DEFERRED INCOME		
At January 1 st	19,842	-
Commitment Fees Accrued during the year	56,193	42,459
	-----	-----
Transfer to Income	76,035	42,459
	(46,373)	(22,617)
	-----	-----
At December 31st	29,662	19,842
	=====	=====

Deferred Income relates to commitment fees charged on loans and overdraft granted to customers of the bank and is amortized over the tenor of the loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

	Designated At Fair Value Through P & L	Held to Maturity Inv'mt	Available for Sale Fin. Asset	Loans and Accounts Receivable	Total Amount
	GH¢	GH¢	GH¢	GH¢	GH¢
Financial Assets					
Loans and Advances	-	-	-	3,098,147	3,098,147
Short Term Investments	-	13,286,050	-	-	13,286,050
Cash and Cash Balances	1,131,658	-	-	-	1,131,658
Deposit Reserve	745,007	-	-	-	745,007
Equity Investments		-	82,539	-	82,539
	-----	-----	-----	-----	-----
Total Financial Assets	1,876,665	13,286,050	82,539	3,098,147	18,343,401
	=====	=====	=====	=====	=====
Total Non-Financial Assets					1,560,366

Total Assets					19,903,767
					=====
Financial Liabilities					
Customer Deposits					14,809,272
Managed Funds					41,130
Creditors and Accruals					462,114

Total Financial Liabilities					15,312,518
Total Non-Financial Liabilities					4,591,249

Total Liabilities and Shareholders' Fund					19,903,767
					=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. FINANCIAL RISK MANAGEMENT

Overview

The company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

The Board of Directors have the overall responsibilities for the establishment and oversight of the Bank's risk management framework. The Risk and Compliance Manager of the Bank is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

Management gains assurance in relation to the effectiveness of internal control and risk management from: summary information in relation to the management of identified risks; detailed review of the effectiveness of management of selected key risks; results of management's self-assessment process over internal control; and the independent work of the Bank's internal audit and risk management department, which ensures that management understands the Bank's key risks and risk management capability; sets standards on governance and compliance; and provides assurance over the quality of the Bank's internal control and management of key risks.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's amount due from all investment portfolios and advances to customers.

The Bank's exposure to credit risk has been minimized as greater part of the investment portfolios amount outstanding in receivership before the end of 2019 had been paid by government and the balance being transferred to government bonds with its maturity yet to be decided by the government.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(i) Credit risk (cont'd)

Receivables from Investment Portfolios and Advances to Customers

The Bank's exposure to credit risk is influenced mainly by the operational results of the investment companies and the businesses of customers to whom loans and overdraft has been granted. Management has established an investment and customer policy under which a new investment and advances granted to new customers and existing ones are assessed in line with the current operational performance of these companies and individuals to ascertain their risk levels for a possible call out of the investments and the advances. The Bank's investment and advances to individual customers are also done with predefined and selective companies and customers.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of overdue investments and other advances to customers.

The main components of this allowances are all specific loss components that relates to individual significant exposures, and a collective loss allowance established for homogeneous assets in respect of losses that have been incurred but have not yet been identified. The collective loss allowance is determined based on historical data of payment for similar financial assets.

The Bank made an impairment loss provisional estimate against the current year profit and loss account as a cover for all future non-payment of any financial asset.

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk and non-risk at the reporting date was:

	2019	2018
Fixed Deposit with Waica Re Capital	500,000	500,000
Fixed Deposit with Dalex Finance & Leasing Co. Ltd.	1,522,143	1,934,122
Fixed Deposit with IFS Financial Services	3,260,701	3,723,304
Fixed Deposit with CDH Savings and Loans Co. Ltd.	5,417,842	5,703,655
	-----	-----
Total Investment Risk Exposure	10,700,686	11,861,081
Other Assets	288,211	159,257
Loans and Advances to Customers	3,098,147	1,937,677
	-----	-----
Total Company Credit Risk Exposure	14,087,044	13,958,015
Total Risk Free Investments (In Government Securities)	2,585,364	852,584
	-----	-----
	16,672,408	14,810,599
	=====	=====

The total balance of **GH¢2,585,364 (2018: 852,584)** as part of the client's investment portfolio is risk free which are basically in Treasury Bills and Government of Ghana bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Our post year review of the client investment portfolio revealed that out of the total receivable investment balance of GH¢9,426,959 from the previous year 2018, an amount of GH¢1,600,000 has been received from payment through the companies (See the movement below the aging analysis).

Impairment losses

The aging of Investment and account receivables at the reporting date was:

	2019			2018		
	Gross GH¢	Impairm't GH¢	Net GH¢	Gross GH¢	Impairm't GH¢	Net GH¢
Current (less than 365 days)	6,957,238	-	6,957,238	5,224,383	-	5,224,383
Impaired (above 365 days)	9,501,058	-	9,501,058	9,520,338	-	9,520,338
	<u>16,458,296</u>	<u>-</u>	<u>16,458,296</u>	<u>14,744,721</u>	<u>-</u>	<u>14,744,721</u>

The movement in the allowances or balances in respect of investment under receivership during the year is as follows:

	2019 GH¢	2018 GH¢
Balance at 1 January	9,426,959	9,426,959
Add interest accrued during the year	851,584	-
	<u>10,278,543</u>	<u>-</u>
Recoveries during the year	(1,600,000)	-
	<u>8,678,543</u>	<u>9,426,959</u>

The bank further recovered **GH¢4,122,851** through sovereign guarantee by the state out of the balance remaining from the investment at the reporting date. The payment was effected through a transfer into the bank's account with the Consolidated Bank, Ghana on 25th of March 2020 by the receivers of the above investment companies. The receiver further promise to invest the remaining balance in Government of Ghana bonds.

(ii) Liquidity risk

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost. The Bank's approach to managing liquidity risk is to ensure that it will maintain adequate liquidity to meet its liabilities when due. The following are contractual maturities of financial liabilities:

	Carrying Amount GH¢	Total GH¢	Contractual cash flows		
			6 months or less GH¢	6 – 12 months GH¢	Above 1 Yr GH¢
31st December 2019					
Susu Savings Scheme	1,208,468	1,208,468	1,208,468	-	-
Current Account	2,356,398	2,356,398	2,356,398	-	-
Time Deposits	3,517,901	3,517,901	2,689,201	828,700	-
Savings Account	7,726,505	7,726,505	7,726,505	-	-
Accounts Payable	432,452	432,452	432,452	-	-
	<u>15,241,725</u>	<u>15,241,725</u>	<u>14,413,025</u>	<u>828,700</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

Currency risk only exists on account of financial instruments being denominated in a currency that is not the functional currency and has being of a monetary nature.

In the normal course of business, all the Bank's transactions on investments and purchase of goods and services were denominated in the local currency which is the functional and reporting currency. The Bank was not exposed to any currency risk of transacting business in foreign currencies (primarily in United States Dollars) and is again not subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

Interest rate risk

Fluctuations in interest rates had effect on the value of the Bank's financial instruments as the bank's main business is to trade and invest in securities and shares which are mainly considered as interest-bearing financial instruments at variable rates.

(iv) **Operational risk**

The Board of directors have the overall oversight over the bank's operations and gives direction to the management team to ensure that the bank's operational risk is adequately managed.

(v) **Capital management**

Capital comprises stated capital. The primary objective of managing the Bank's capital is to ensure that there is sufficient capital available to support the funding requirements of the Bank, including capital expenditure, in a way that: optimises the cost of capital; maximises shareholders' returns; and ensures that the bank remains in a sound financial position. Management has a reasonable expectation that the shareholders will continue to support the bank's operations for the foreseeable future and are committed to make additional capital expenditure to keep the bank's liquidity position in a more secured and favourable position.

32. CAPITAL COMMITMENTS

There were no capital commitments not provided for in the Financial Statement at the reporting dates.

33. EXCHANGE CONTROL

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

34. CONTINGENT LIABILITIES

There was no contingent liability not provided for in the Financial Statements at the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel are those persons having authority for planning, directing and controlling the activities of the Bank and comprise the Non-Executive Directors and Senior Management Staff of Anlo Rural Bank Limited.

a. Remuneration of Key Management Personnel

	2019	2018
	GH¢	GH¢
Salaries and other Short Term Benefits	218,739	166,346
Social Security	20,595	21,997
	-----	-----
	239,334	188,343
	=====	=====

b. Loans to key Staff

Balance at January 1 st	29,089	19,939
Net Movement	(19,131)	9,150
	-----	-----
Balance at December 31st	9,958	29,089
	=====	=====

36. SHAREHOLDING STRUCTURE

(i) Number of Shares Outstanding

Earnings and dividend per share are based on **648,232 (2018: 647,532)** ordinary shares outstanding.

(ii) Directors Shareholding:

The Directors named below held the following number of shares in the Bank as at 31st December 2019.

	No. of Shares	% of Issued Capital
Kwasi Gbordzi	17,927	2.77
Larry Kwesi Jiagge	14,092	2.17
Sui Kwasi Kafui Fiawoo	6,816	1.05
Paulina Adjua Dsani (Mama Biana Dadzie 1)	2,374	0.37
Precious Eyrah Dzissah-Agbemabiase	987	0.15
Christian Rockson Kodzo Bensah	329	0.05
Godwin Amelor	329	0.05
Bartholomew Kwame Ahadzi	200	0.03
	-----	----
TOTAL	43,054	6.64
	=====	====

(iii) Number of Shareholders

The Bank had 141 ordinary shareholders as at 31st December 2019 distributed as follows:

Holding	No. of Members	Total Holding	% of Shares Held
1 – 1,000	53	22,700	3.60%
1,001 – 3,000	5	12,475	1.92 %
3,001 – 5,000	25	83,363	12.86%
5,001 – 10,000	41	288,079	44.44%
Exceeding 10,000	17	241,615	37.18%
	-----	-----	-----
	141	648,232	100%
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(iii) List of Twenty Largest Shareholders as at 31st December 2019

	No. of Shares	% of Issued Capital
1. Mr. E. A. K. Kalitsi	21,211	3.27
2. Dr. Kwasi Gbordzi	17,927	2.77
3. Mr. John A. Y. Klinogo	17,099	2.64
4. Mr. Michael Attipoe	14,711	2.27
5. Torgbui Agbesi Awusu II	14,632	2.26
6. Mr. Larry Kwesi Jiagge	14,092	2.17
7. Mr. Shelter Aidam	13,809	2.13
8. Mr. Benjamin T. K. Adadevoh	12,987	2.00
9. Mr. William Edem Fugar	12,987	2.00
10. Mr. Courage K. Segbawu	12,987	2.00
11. CDR (RTD) K. T. Dovlo	12,987	2.00
12. Mrs. Mispah Aky Glymin	12,987	2.00
13. Mr. Shine G. A. Attitsogbui	12,987	2.00
14. Mr. Frank Kpodo	12,987	2.00
15. Dr. (Mrs.) Sylvia A. Mansa Boye	12,987	2.00
16. Mr. Moses Kwashie Klinogo	12,987	2.00
17. Torgbui Nukpornku II	11,251	1.74
18. Mr. William K. Ashiabor	9,737	1.50
19. Mr. Nicholas A. Gbeckor - Kove	9,737	1.50
20. Mr. Clement Kofi Humado	9,737	1.50
	-----	-----
	270,826	41.78
	=====	=====

SCHEDULE I

	2019	2018
	GH¢	GH¢
<u>General and Administrative Expenses</u>		
Police Guard & Security	45,430	62,240
Board Meeting Expenses	56,584	85,294
Other Expenses/Office Expenses	13,316	25,930
Travelling and Transport Expenses	24,517	22,694
Printing & Stationery	43,367	34,076
Repairs & Maintenance	22,873	12,640
Motor Vehicle Running Expenses	68,456	88,692
Motor Vehicle Repair and Maintenance	21,481	16,170
Rent, Rates and Taxes	11,458	38,304
Postage, Telephone and Telegram	21,887	19,046
Advert & Publicity	700	15,003
Insurance	61,111	73,716
Electricity, Water and Power	135,805	135,328
Entertainment Expenses	5,955	25,727
Professional and Legal Fees	24,272	7,049
Subscription and Periodicals	67,727	55,111
Annual General Meeting (AGM)	20,000	38,000
Staff and Directors Training Expenses	70,000	45,597
Bank Charges	13,203	21,501
Specie Expenses	2,299	4,590
Audit Expenses	13,800	8,560
Susu Running & Microfinance Expenses	95,245	52,250
Recovery Expenses	-	105
Other Expenses & Sundry Expenses	32,604	38,083
Staff Defalcation account	-	113,292
APEX Clearing Suspense	-	222,667
	-----	-----
	872,090	1,261,668
	=====	=====



PROXY AUTHORIZATION

I/We being member(s) of ANLO RURAL BANK LIMITED hereby appoint of or failing him/her of my/our Proxy to vote on my/our behalf at the Annual General Meeting of the Bank to be held at 9:00 am on Saturday 17th October, 2020 and at any adjournment thereof.

Dated this day of2020

.....
Shareholder's Signature

ANLO RURAL BANK LIMITED ADMISSION FORM

An ANNUAL GENERAL MEETING to be held at the **Municipal Assembly Hall, Keta**, on Saturday 17th October, 2020 at 9:00am in the morning.

Full name and address of Shareholder(s) / Proxy

.....
.....
.....

Number of Shares held:

IMPORTANT:

This Admission form must be produced by the Shareholder or his/ her Proxy in order to obtain entrance to the Annual General Meeting.

OUR PRODUCTS AND SERVICES

Strategic Products

Group Lending (Microfinance)
Church Loan
Dzidedi Loan
Susu

Generic Products

Current Account
Savings Account
Fixed Deposit
Salary Loan

Commercial Loans

Trade loan
Agric loan
School loan
Transport loan
Cottage Industry loan

Fund Transfers, Cards & Electronic Services

ATM
E-Zwich
Western Union Money Transfer
Apexlink Domestic Money Transfer
MTN Mobile Money Services
Cheque Clearing and ACH (Interbank) Transfers
Payment Orders
U-Connect Mobile Banking App
Transflow e-Payment Services

OUR CONTACTS

Head Office

Tel: 03621-93448
Website: www.anloruralbank.com
Email: info@anloruralbank.com

Agencies

Anloga Main

Tel: 03621-96072

Abor

Tel: 03422-90551

Dzelukope

Tel: 03626-43101