



ANLO RURAL BANK LTD



of service to our cherished customers

2020

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

Contents

Notice of Annual General Meeting	3
Corporate Information	4 - 7
Board Chairman's Report	8 - 12
Report of the Directors	13 - 14
Report of the Independent Auditors	15 - 19
Statement of Comprehensive Income	20
Statement of Financial Position	21
Statement of Cash Flows	22
Statement of Changes in Equity	23
Notes to the Financial Statements	24 - 51
Proxy Authorization and Admission Form	52

ANLO RURAL BANK LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the twentieth (20th) Annual General Meeting of ANLO RURAL BANK LIMITED will be held on **Saturday, 24th July, 2021** 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, 2020.
3. To appoint Auditors and authorize Directors to fix the remuneration of the Auditors.
4. To re-elect Directors retiring by rotation.
5. To fix the remuneration of the Directors.

SPECIAL RESOLUTION

6. To pass a special resolution to change the company name from ANLO RURAL BANK LTD TO ANLO RURAL BANK PUBLIC LIMITED COMPANY (PLC)

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 2020 Annual Reports and Financial Statements (with the proxy form therein) can be accessed on the website of the company (www.anloruralbank.com).

Dated this 9th day of June, 2021.

BY ORDER OF THE BOARD



ONESIMUS DORKPAH
(COMPANY SECRETARY)

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Mr. Larry Kwesi Jiagge	Chairman
Dr. Kwasi Gbordzi	Vice-Chairperson
Dr. Kwasi Gbordzi	Member
Mr. Christian Rockson Kodzo Bensah	Member
Mr. Godwin Amelor	Member
Mr. Bartholomew Kwame Ahadzi	Member
Mr. Frank Lawoe	Member

COMPANY SECRETARY:

Onesimus Dorkpah
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-seven (37) 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 Ho Municipal after serving the same position 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

(NITTTTR) 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.



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

Mr. Christian Rockson Kodzo Bensah (1972) and G.C.E "A" Level (1975) (Sixth Form, Navasco). (Director)



Mr. Ahadzi is a Chartered Accountant with about 37 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.

Mr. Bartholomew Kwame Ahadzi 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.



Mr. Frank Lawoe is a Chartered Accountant, and has been a member of the Institute of Chartered Accountants (Ghana) since 2006. He holds a Bachelor of Commerce degree from the University of Cape Coast and Executive Master of Business Administration (Finance) from the University of Ghana. He is also a member of the Institute of Internal Auditors (Ghana). He has 19 years of experience in banking with strong and proven expertise and track record in internal audit, risk management, retail and corporate banking, and debt recovery.

He is currently the Head of Internal Audit at Société Générale Ghana. Having started his banking career with GCB Bank in 2001 as a Management Trainee, he went on to hold senior positions in HFC Bank Ghana Limited (now Republic Bank) as Head of Risk Management and Compliance, Head of Internal Audit, and Senior Manager, Recoveries. He joined the Board of Directors in December 2020.

Mr. Frank Yaovi Lawoe (Director)

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

THE CHAIRMAN'S REPORT

1.0. INTRODUCTION:

Distinguished Shareholders, Ladies and Gentlemen, it is my pleasure to welcome you to the 20th Annual General Meeting of Anlo Rural Bank Ltd.

On behalf of the Board, it is with profound pleasure that I present the Chairman's report for the 2020 financial year. Thank you all for your presence, continuous trust and support for the Bank as shareholders, customers and not the least, friends whose customs support the Bank's survival.

1.1. Macroeconomic Environment:

The macroeconomic environment in which the Bank operated during the fiscal year 2020 was marked by a reduction in inflation rate and the Bank of Ghana policy rate. Series of policy and regulatory measures were put in place by the Bank of Ghana to loosen financing conditions, ease liquidity pressures and maintain the flow of credit to support critical sectors of the economy, even during the peak of Covid-19.

Some of the measures included:

1. The reduction of policy rate by 150 basis points
2. The lowering of primary reserve rate by 200 basis points
3. The significant drop in capital adequacy ratio (CAR) by 150 basis points.

All these contributed to keeping the fundamentals of the bank positive, irrespective of the difficulties associated with the novel Covid-19 pandemic.

The economic indicators closed the year as follows:

- Bank of Ghana Policy Rate 14.50%
- Inflation Rate 9.89%
- Treasury Bill Rates
 - ◇ 91-day 13.50%
 - ◇ 182-day 13.10%
 - ◇ 364-day 14.50%

2.0. FINANCIAL PERFORMANCE OF THE BANK

Despite the very challenging year experienced by most financial institutions, your Bank continued to record reasonably healthy performance in key result areas which are depicted in the following tables and charts.

Table 1: Trend Analysis of Performance Indicators

	2016	2017	2018	2019	2020
INDICATORS	All amounts in GH¢ '000				
Deposits	10,197	11,430	12,861	14,809	17,066
Advances	2,506	2,179	1,938	3,098	2,918
Investments	9,522	10,980	12,714	13,286	15,415
Total Income	3,578	3,630	3,429	2,188	2,629
Profit After Tax	644	842	343	(96)	289
Shareholders Fund	3,770	4,396	4,504	4,407	4,687
Total Assets	15,041	16,499	18,225	19,904	22,553

Table 2: Two years Variance Analysis

Indicators	2019 (GH¢)	2020 (GH¢)	Variance (GH¢)	Variance (%)
Amounts in GH¢'000				
Total Assets	19,904	22,553	2,649	13.3%
Total Deposits	14,809	17,066	2,257	15.2%
Loans and Advances	3,098	2,918	-180	-5.8%
Investments	13,286	15,415	2,129	16.0%
Operating Income	2,188	2,629	441	20.2%
Shareholders' Equity	4,407	4,687	280	6.4%
Operating Expenses	2,255	2,304	49	2.2%
Profit After Tax	(96)	289	385	405%

Apart from advances, all the other fundamentals witnessed a northward trajectory. The fall in advances was as a result of a strategic decision made to study the effect of the novel pandemic and also buttressed by regulatory advice by Bank of Ghana to manage and monitor situations relating to the Covid -19 pandemic.

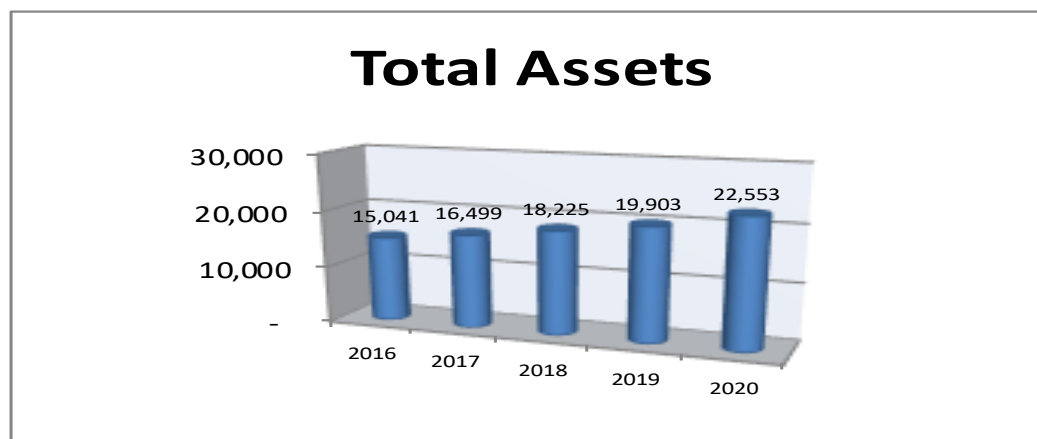
The key ratios therefore witnessed favourable changes and are reflected below:

Table 3: Key Ratios

Ratio	Actual % 2019	Actual % 2020	Benchmark %
Cost/Income Ratio	102.37	89.26	Maximum: 70
Capital Adequacy Ratio (CAR)	42.18	69.51	Minimum: 10
Return on Assets	0.48	1.28	Minimum: 5
Earning Assets /Total Assets	82.32	81.28	Minimum: 70
Non-Performing Loans Ratio	2.5	1.11	Maximum: 20

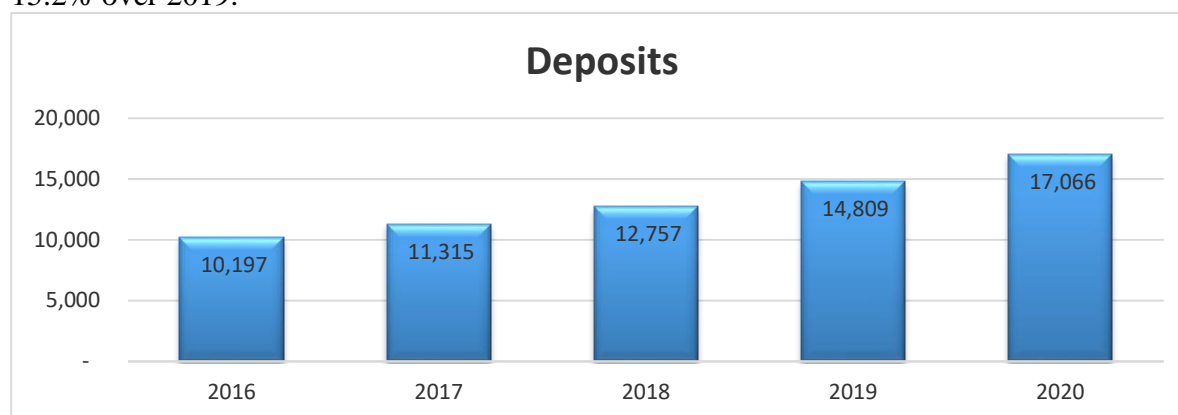
2.1.Total Assets

The total assets increased from GH¢19,903,767 in 2019 to GH¢22,553,271 representing 13.3% increase over 2019. This is higher than the 9.21% growth recorded in 2019.



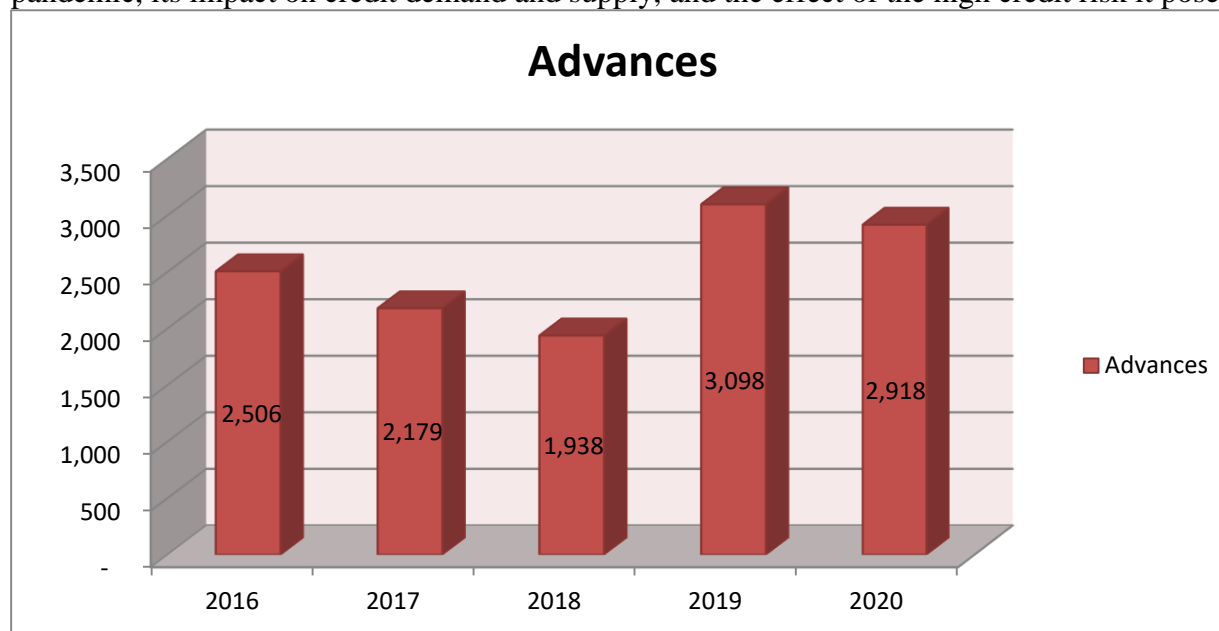
2.2. Deposits

Total deposits grew from GH¢ 14,809,273 in 2019 to **GH¢ 17,066,041** in 2020 registering an increase of 15.2% over 2019.



2.3. Advances

The total gross loans and advances to customers reduced from GH¢ 3,098,147 in 2019 to **GH¢ 2,917,639** in 2020 representing a reduction of 5.81%. The reduction is highly attributed to the lingering COVID-19 pandemic, its impact on credit demand and supply, and the effect of the high credit risk it poses.

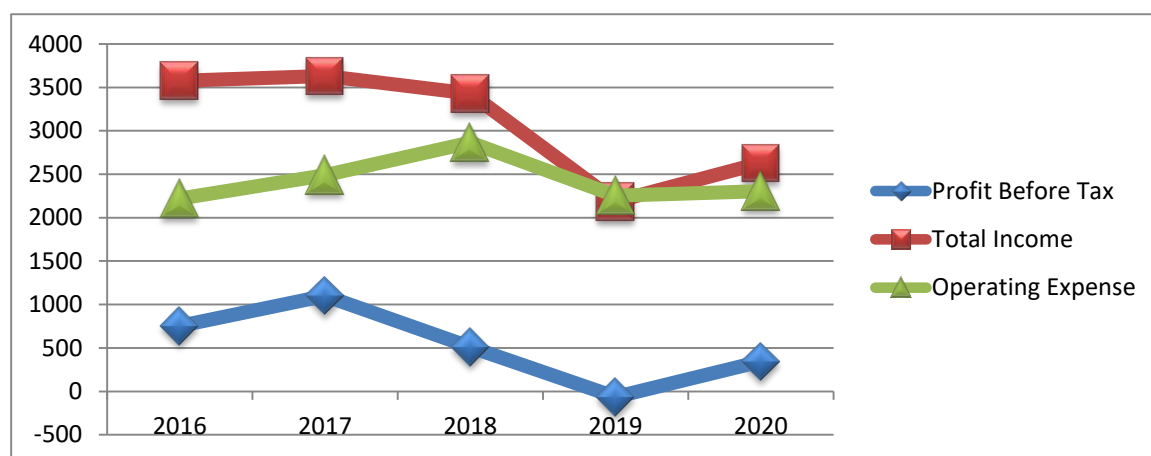


2.4. Operating Income, Operating Expenses and Profit After Tax

Operating income increased from GH¢2,188,222 in 2019 to **GH¢2,629,325** in 2020 representing an increase of 20.2% over the 2019.

The Bank's operating expenses, on the other hand, increased by only 2.2% from GH¢2,254,637 in 2019 to **GH¢2,303,675** in 2020. This was achieved through the efforts of Board and Management directed at cost management, even in the face of the challenges on income generation and high cost of doing business, posed by the effect of the Covid- 19 pandemic.

The Bank thus recorded a Profit After Tax (PAT) of **GH¢289,594** in 2020 as compared with a loss of GH¢95,905 recorded in 2019 representing increase of 402%.



3.0. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Ladies and Gentlemen, the bank has reviewed the Corporate Social Responsibility (CSR) Policy in line with Bank of Ghana guideline which defines our social responsibilities and contributions to our operational areas and communities. The focus of our CSR is in the areas of agriculture, health, education and environment. Notable among the corporate social responsibility activities undertaken during the year under review include:

1. Anloga E. P. Basic School Quiz Competition
2. COVID 19 prevention support to Health Facilities
3. Donation towards 2020 Farmers' Day Celebration to the Anloga District Assembly

In recognition of the social capital we derive from the people of Anlo, the Bank has proven to be socially responsible over the years and will continue to support the traditional authorities and other partners in the development of the Anlo State.

4.0. DIVIDEND

Dear Shareholders, we are aware of the importance of increasing profitability of the Bank and its subsequent increase in shareholders' value. As part of the measures put in place to minimize the uncertainties surrounding the Covid-19 pandemic and its potential impact on the liquidity and solvency of banks, the Bank of Ghana has placed a hold on the payment of dividend until the end of 2021 financial year. However, banks are required to seek prior approval from the Bank of Ghana (BOG) should they wish to pay dividend. In a letter dated 18th May, 2021 in response to our request, the Bank of Ghana declined to approve the payment of dividend for the financial year ended 31st December 2020 to ensure that your bank remains robust and resilient and to help deal with any emerging risks and potential threats to the safety and soundness of the bank.

We strongly believe that the Board and Management are highly focused and are charting a prosperous path to deliver greater value to our most cherished shareholders in the years ahead.

5.0. OUTLOOK FOR 2021

5.1. Update on Corporate Governance Directive for RCBs

The Bank of Ghana has published the final Corporate Governance Directive specifically for RCBs. The indicated effective date for implementation is 31st March 2022. The Directive has far reaching implications for RCBs, the major ones being the limit on tenure of Chairmen, Directors and General Managers to a maximum of 6, 9, and 12 years respectively.

The effect of this, may lead to significant changes in respect of the membership of the board, as most members would have to retire. The effect of this is being studied and the Board would take decisions that would ensure smooth transition to new membership.

5.2 CONCLUSION

Distinguished Ladies and Gentlemen, on behalf of my colleagues on the Board, Management and Staff of Anlo Rural Bank Limited, I wish to express our appreciation to the valued Customers, Shareholders and Regulators of the Bank 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 kept the bank afloat. The Board wish to commend the dedicated management and staff for their hard work.

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, 2020.

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 10 to 40 and summarized below:

	2020 GH¢	2019 GH
Profit / (Loss) before tax for the year	344,594	(66,729)
From which is deducted a tax charge of	(55,137)	(29,176)
	-----	-----
Resulting in a Profit/ (Loss) after tax of	289,457	(95,905)
To which must be added the balance brought forward on the Income Surplus Account at the beginning of the year of	779,794	865,782
	-----	-----
To bring the balance to	1,069,251	769,877
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)	(36,182)	-
• Transfer to dividend tax payable	-	-
• Transfer to Social Responsibility Fund	-	-
• Transfer in respect of dividend declared	-	-
• Transfer to Credit Risk Reserve	-	9,917
	-----	-----
Leaving a balance on the Income Surplus Account to be Carried Forward of	1,033,069	779,794
	=====	=====

Pursuant to the Bank of Ghana Notice No. BG/GOV/SEC/2021/06, the directors recommend the payment of dividend of **GH¢0.20** per share (2019: Nil) amounting to **GH¢129,646** for the year under review (2019: Nil).

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 Godwin Amelor and Bartholomew Kwame Ahadzi 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 (5) 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 10-43 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, 2020 and the Statement of Financial Position at that date together with the notes thereon this **30th Day of March 2021**

.....)
.....) **DIRECTORS**
.....)
.....)
ANLOGA

March 30, 2021

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

We have audited the Financial Statements of **Anlo Rural Bank Limited** which comprise the statement of financial position at 31st December 2020, 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 10 to 40.

In our opinion, these Financial Statements give a true and fair view of the financial position of Anlo Rural Bank Limited at 31st December 2020, 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) 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.

The outstanding amounts due from the Receiver of IFS Financial Services Limited and CDH Savings and Loans Company Limited at the prior reporting date have been settled or redeemed and no longer a reasonable basis for any audit qualification.

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 (CONT'D)**

**1.0 Revenue Recognition
(GH¢2,895,951)**

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¢2,917,639)**

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¢16,404,167)**

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. Fair 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 (CONT'D)**

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 (CONT'D)**

- 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 (CONT'D)**

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.**

March 31, 2021

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

	Notes	2020 GH¢	2019 GH¢
Interest Income	3	2,895,951	2,489,975
Interest Expenses	4	(579,967)	(626,657)
Net Interest Income		2,315,984	1,863,318
Commissions and Fees	5	209,104	201,285
Other Operating Income	6	104,237	123,619
Total Operating Income		2,629,325	2,188,222
Charge for Credit Losses	12(d)	18,944	(314)
Operating Costs	7	(2,303,675)	(2,254,637)
Profit before Taxation		344,594	(66,729)
Taxation	19i	(55,137)	(29,176)
		289,457	(95,905)
Other Comprehensive Income		-	-
Comprehensive Income for the year		289,457	(95,905)
<u>Earnings Per Share (EPS)</u>			
Basic and Diluted Earnings per Share	27	0.45	(0.15)

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	NOTES	2020 GH¢	2019 GH¢
ASSETS			
Cash and Bank Balances	9	1,673,166	1,131,658
Short Term Investments	10	15,414,623	13,286,050
Apex Bank Deposit Reserve	11	875,118	745,007
Loans and Advances to Customers	12	2,917,639	3,098,147
Taxation	19(iii)	113,769	84,463
Equity Investments	13	82,539	82,539
Other Assets	14	149,744	276,644
Property and Equipment	20(a)	1,123,192	1,199,259
Intangible Assets	20(b)	146,672	-
Right-of-Use Asset	20(c)	56,810	-
		-----	-----
TOTAL ASSETS		22,553,271	19,903,767
		=====	=====
LIABILITIES & SHAREHOLDERS' FUNDS			
Liabilities			
Customer Deposits	15	17,066,041	14,809,273
Creditors and Accruals	16(a)	449,279	417,582
Obligation for T24 License	16(b)	79,562	-
Managed Funds	26	96,230	41,130
Dividend Payable	17	140,245	142,234
Medium Term Loan	18	-	62,486
Deferred Tax Liability	19(v)	35,144	24,451
		-----	-----
Total Liabilities		17,866,501	15,497,156
		-----	-----
Shareholders' Funds			
Stated Capital	23	1,324,660	1,324,660
Statutory Reserve Fund	21	1,412,739	1,376,557
Income Surplus Account	24	1,033,069	779,794
Social Responsibility Fund	22	205,454	214,752
Capital Surplus	25	39,404	39,404
Credit Risk Reserve	28	671,444	671,444
		-----	-----
Total Shareholders' Funds		4,686,770	4,406,611
		-----	-----
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS		22,553,271	19,903,767
		=====	=====
Net Asset per Share (GH¢ per Share)		7.23	6.79

.....)
) **DIRECTORS**
) **ANLOGA**

March 30, 2021

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020	2019
	GH¢	GH¢
Operating Activities		
Profit before Tax	344,594	(66,729)
Add Depreciation	154,807	172,247
Gain on disposal	-	-
	-----	-----
Cash Inflow before Changes in Operating	499,401	105,518
Assets and Liabilities		
Decrease /(Increase) in Loans and Advances	199,453	(1,170,605)
Decrease/(Increase) in Other Assets	77,799	(117,387)
Increase in Creditors and Accruals & Other Obligation	111,259	122,156
Increase in Customer Deposits	2,256,769	1,948,491
Provision for Credit Losses	(18,944)	314
Increase in Managed Funds	55,100	-
	-----	-----
	2,681,437	782,969
	-----	-----
Cash flow from Operating Activities	3,180,838	888,487
Dividends and Corporate Tax		
Tax Paid	(73,750)	(26,375)
Dividend Paid	(1,989)	(59,475)
	-----	-----
	(75,739)	(85,850)
Investing Activities		
Property and Equipment Purchased/Software	(41,969)	(27,642)
Intangible Assets	(160,582)	-
Right-of-Use Asset	(30,572)	-
	-----	-----
Cash Outflow from Investing Activities	(233,123)	(27,642)
Financing:		
Proceeds from Issue of Shares	-	4,200
Payment of Social Responsibility	(9,298)	(5,330)
Medium Term Loan repaid	(62,486)	(250,008)
	-----	-----
Net Cash Outflow from Financing	(71,784)	(251,138)
	-----	-----
Net Increase/(Decrease) in Cash and Cash Equivalent	2,800,192	523,857
Cash and Cash Equivalents at January 1	15,162,715	14,638,858
	-----	-----
Cash and Cash Equivalents at December 31	17,962,907	15,162,715
	=====	=====
Analysis of Cash and Cash Equivalents as shown in the Balance Sheet		
Apex Deposits Reserve	875,118	745,007
Cash and Bank Balances	1,673,166	1,131,658
Short Term Investments	15,414,623	13,286,050
	-----	-----
	17,962,907	15,162,715
	=====	=====

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Stated Capital GH¢	Social Respon. Fund GH¢	Statutory Reserve Fund GH¢	Capital Surplus GH¢	Credit Risk Reserve GH¢	Income Surplus GH¢	Total GH¢
<u>2020</u>							
Balance At 1 st January	1,324,660	214,752	1,376,557	39,404	671,444	779,794	4,406,611
Issue of Shares for Cash	-	-	-	-	-	-	-
Net Profit/ (Loss) for the Year	-	-	-	-	-	289,457	289,457
Transfer from Income Surplus	-	-	36,182	-	-	(36,182)	-
Dividend Declared	-	-	-	-	-	-	-
Social Responsibility Fund	-	-	-	-	-	-	-
Social Responsibility Exp.	-	(9,298)	-	-	-	-	(9,298)
Revaluation Reserves	-	-	-	-	-	-	-
Proceeds from Bonus Share	-	-	-	-	-	-	-
Credit Risk Reserve	-	-	-	-	-	-	-
Balance At 31st December	<u>1,324,660</u>	<u>205,454</u>	<u>1,412,739</u>	<u>39,404</u>	<u>671,444</u>	<u>1,033,069</u>	<u>4,686,770</u>
<u>2019</u>							
Balance At 1 st January	1,324,660	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 for the Year	-	-	-	-	-	(95,905)	(95,905)
Transfer from Income Surplus	-	-	-	-	-	-	-
Dividend Declared	-	-	-	-	-	-	-
Social Responsibility Fund	-	-	-	-	-	-	-
Social Responsibility Exp.	-	(5,330)	-	-	-	-	(5,330)
Transfer in respect of Withholding Tax	-	-	-	-	-	-	-
Proceeds from Bonus Share	-	-	-	-	-	-	-
Credit Risk Reserve	-	-	-	-	(9,917)	9,917	-
Balance At 31st December	<u>1,320,460</u>	<u>214,752</u>	<u>1,376,557</u>	<u>39,404</u>	<u>671,444</u>	<u>779,794</u>	<u>4,406,611</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 30th day of **March 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the bank for the year ended 31st December 2020 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 (**GH¢**) 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 regarding the price of its equity shares held by the bank.

2.9(a) 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
Intangible Asset -T24 License	10%
Intangible Asset - Microsoft License	20%

(b) Intangible Assets

Software acquired by the Company is stated at cost less impairment losses and accumulated amortization. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is Ten (10) and Five (5) years respectively (**See the amortization rates above**).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(d) Income Surplus (Retained Earnings)

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

(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. Leases

From January 1, 2019, IFRS 16 has been the effective standard guiding the accounting treatment for lease transactions. 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 for 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 2020, with early adoption permitted only if the entity also adopts IFRS 15. The Company has accepted and prospectively adopted IFRS 16 effective 2020 without restating comparative for the 2019 reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2020	2019
	GH¢	GH¢
3. INTEREST INCOME		
Loans and Advances	1,493,797	1,123,140
Government Securities & Other Investments	1,402,154	1,366,835
	-----	-----
	2,895,951	2,489,975
	=====	=====
4. INTEREST EXPENSE		
Interest on Borrowing	2,322	43,838
Savings Accounts	238,625	192,760
Interest on Fixed Deposit	339,019	390,059
	-----	-----
	579,967	626,657
	=====	=====
5. COMMISSIONS AND FEES		
Commission on Electronic Mail Transfer	90	289
Cheque Clearing Fees	5,026	4,996
Commitment Fees (Note 29)	75,261	46,479
Commission on Turnover	128,727	149,521
	-----	-----
	209,104	201,285
	=====	=====
6. OTHER OPERATING INCOME		
Service Charges	23,319	15,372
Miscellaneous income from value books	80,918	108,247
	-----	-----
	104,237	123,619
	=====	=====
7. OPERATING COSTS		
Staff Related Costs (See note 8)	1,040,809	945,129
Depreciation (See note 20)	154,808	172,247
Directors' Remuneration	107,004	140,001
Audit Fees	25,000	25,000
Computerization	97,224	100,170
General and Administrative Costs	878,830	872,090
	-----	-----
	2,303,675	2,254,637
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2020	2019
	GH¢	GH¢
8. STAFF RELATED COSTS		
Staff Remuneration	631,907	640,926
Staff Social Security Costs	79,835	80,906
Staff Provident Fund	46,397	46,677
Staff Medical Cost	8,897	12,602
Other Staff Allowances	273,773	164,018
	-----	-----
	1,040,809	945,129
	=====	=====
9. CASH AND BANK BALANCES		
Apex Clearing Account	956,367	530,182
Un-cleared Effects	-	5,275
	-----	-----
	956,367	535,457
GCB Clearing Account	1,244	37,499
Consolidated Bank Ghana Limited	666	90
Cash Holdings	699,165	558,612
E-Money Float	15,724	-
	-----	-----
	1,673,166	1,131,658
	=====	=====
10. SHORT TERM INVESTMENTS		
A. Treasury Bills Redeemable within 90 & 182 days		
At Maturity Value	15,857,865	2,735,850
Less: Unearned Discount at reporting dates	(989,544)	(150,486)
	-----	-----
	14,868,321	2,585,364
B. Fixed Deposits		
Fixed Deposit with Waica Re Capital	446,302	500,000
Fixed Deposit with Dalex Finance & Leasing Co. Ltd.	-	1,522,143
Fixed Deposit with IFS Financial Services (In Receivership)	-	3,260,701
Fixed Deposit with CDH Savings and Loans Co. Ltd. (- do -)	-	5,417,842
ARB Bank Certificate of Deposit (ACOD)	100,000	-
	-----	-----
	15,414,623	13,286,050
	=====	=====

The various investments made in certificates of deposits respectively issued by IFS Financial Services (In receivership) and CDH Savings and Loans Company Ltd (also in Receivership) have been fully redeemed by the Receiver. The resulting cash inflows to the bank has since been invested in Government of Ghana Treasury Bills. These two investments which formed the primary basis for audit qualification of the prior year audited financial statements is therefore no longer an issue.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2020	2019
	GH¢	GH¢
11. APEX BANK DEPOSIT RESERVE		
Balance at 1 st January	745,007	654,344
Net Investments during the year	130,111	99,663
	-----	-----
Balance at 31st December	875,118	745,007
	=====	=====

12. LOANS AND ADVANCES

(a) Analysed by Type of Facility

Overdraft	405,551	311,059
Loans	2,627,599	2,949,767
	-----	-----
	3,033,150	3,260,825
Less Provision for Credit Losses	(35,123)	(106,549)
Deferred Income on Commitment Fees (See Note 29)	(27,906)	(29,662)
Bad Debt Written off	(52,482)	(26,467)
	-----	-----
	2,917,639	3,098,147
	=====	=====

Impairment Statistics

(i) Credit loss provision ratio	0.129%	0.009%
(ii) Cumulative credit loss provision ratio	1.158%	3.260%

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¢ 126,239 (2019: GH¢ 135,360)**.

	2020	2019
	GH¢	GH¢
(b) Analysed by Type of Customer		
Staff	126,239	135,360
Other Private Enterprises	604,663	508,544
Individuals	2,302,248	2,616,921
	-----	-----
	3,033,150	3,260,825
Less Provision for Credit Losses	(35,123)	(106,549)
Deferred Income on Commitment Fees (See Note 29)	(27,906)	(29,662)
Bad Debt Written off	(52,482)	(26,467)
	-----	-----
	2,917,639	3,098,147
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2020	2019
	GH¢	GH¢
(c) Analysed by Business Segment		
Agriculture	5,180	25,880
Dzidedi	4,972	21,933
Susu Loans	553,103	467,838
Staff Loan	126,239	135,360
Salary loans	665,624	560,134
Commerce	1,678,031	2,049,680
	-----	-----
	3,033,150	3,060,825
Less: Provision for Credit Losses	(35,123)	(106,549)
Deferred Income on Commitment Fees (See Note 29)	(27,906)	(29,662)
Bad Debt Written off	(52,482)	(26,467)
	-----	-----
	2,917,639	3,098,147
	=====	=====

(d) Movement in the Provision for Credit Losses

Balance on the Provision at 1 st January	106,549	132,702
Additional Provision for the year	(18,944)	314
Bad Debt Written off	(52,482)	(26,467)
	-----	-----
Balance on the Provision at 31 st December	35,123	106,549
	=====	=====

<u>Category</u>	<u>Percent</u>	2020	2019
	<u>Provision</u>	GH¢	GH¢
Current	1%	23,525	28,970
Other Loans Especially Mentioned (OLEM)	5%	533	233
Substandard	25%	2,097	-
Doubtful	50%	5,067	3,247
Loss	100%	3,901	74,099
		-----	-----
		35,123	106,549
Add Impairment Loss		-	-
		-----	-----
		35,123	106,549
		=====	=====

In accordance with the suggestion contained in the Bank of Ghana notice to banks, the rate of impairment related to OLEM has been reduced from 10% to 5% effective the 2020 financial year due to issues related to Covid-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. EQUITY INVESTMENTS

	<u>Shares</u>	<u>Cost/ Value GH¢</u>	2020 GH¢	2019 GH¢
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	2.84	82,539	82,539
	=====	====	=====	=====

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

14. OTHER ASSETS

E-Zwich Operation	4,900	30,905
Subscription Prepaid	8,872	13,128
Office Account	10,021	97,534
Insurance Prepaid	27,395	23,586
Inventory	34,677	36,703
Interest and Commission Accrued	63,879	25,687
	-----	-----
	149,744	227,544
	=====	=====

15. CUSTOMER DEPOSITS

(a) Analysed by Type of Account

Susu Saving Scheme	1,638,800	1,208,468
Current Account	2,879,046	2,356,398
Time Deposits	3,750,175	3,517,901
Savings Account	8,798,020	7,726,505
	-----	-----
	17,066,041	14,809,273
	=====	=====

(b) Analysed by Type of Customer

Government Agencies and Departments	221,359	423,957
Private Enterprises	2,462,198	815,723
Individuals	14,382,484	13,569,593
	-----	-----
	17,066,041	14,809,273
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2020 GH¢	2019 GH¢
16(a) CREDITORS AND ACCURALS		
Provision for Police Guard	3,600	1,200
Planting for Food and Jobs	-	7,687
Provision for Audit Expenses	-	2,790
Provision for Audit Fees	25,000	25,000
Provision for Annual General Meetings	24,352	32,230
Bills Payable	118,544	39,708
Office Accounts	277,783	308,967
	-----	-----
	449,279	417,582
	=====	=====

16(b) Obligation for Software License

Balance as at 1st January	-	-
Accrued during the year	160,581	-
	-----	-----
	160,581	-
Payment during the year	(81,019)	-
	-----	-----
Balance as at 31st December	79,562	-
	=====	=====

17. DIVIDEND PAYABLE

Balance at 1 st January	142,234	201,709
Dividend Declare	-	-
	-----	-----
	142,234	201,709
Dividend Paid during the Year	(1,989)	(59,475)
	-----	-----
Balance at 31 st December	140,245	142,234
	=====	=====

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 **2021** will be in respect of the financial year ended on **31st December 2020**. Pursuant to the Bank of Ghana Notice No. BG/GOV/SEC/2021/06, the directors recommend the payment of dividend of **GH¢0.20** per share amounting to **GH¢129,646** for the year under review (2019: Nil).

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)

	2020	2019
	GH¢	GH¢
18. MEDIUM TERM LOAN		
ARB Apex Bank Limited loan	-	62,486
	====	=====

This represents a loan from the ARB Apex Bank Limited taken to acquire ATM Machine and to support microfinance loans in 2018. At the end of 2020, the total loan balance of GH¢62,486 had been paid off.

19. TAXATION

	2020	2019	2018
	GH¢	GH¢	GH¢
(i) Tax Expense			
Current Tax (see note 19 iii)	44,444	-	169,412
Tax Audit Corrections	-	-	-
Deferred Tax (see note 19 v)	10,693	29,176	(2,174)
	-----	-----	-----
Total to Profit or Loss	55,137	29,176	167,238
	=====	=====	=====

(ii) Reconciliation of Effective Tax Rate

	2020	2019	2018
	GH¢	GH¢	GH¢
Profit /(loss) before Tax	344,594	(81,599)	510,015
	=====	=====	=====
Income tax @ 25% (2019: 25%)	80,030	-	127,503
Tax Effect of Non-deductible Expenses	28,250	43,140	100,317
Tax Effect of Allowance Utilised	(48,358)	(48,055)	(58,408)
Carry over of 2019 unrelieved losses	(21,597)	-	-
	-----	-----	-----
Current Tax Charge in P/L	44,444	-	169,412
	=====	=====	=====
Effective Tax Rate	12.90%	Nil	33.22%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(iii) 2020 YOA

	Balance at 1/1/20 GH¢	Charge in P & L A/c GH¢	Tax Audit Adjustment GH¢	Tax Credit/ Payments GH¢	Balance at 31/12/20 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)
2020	-	44,444	-	(73,750)	(29,306)
	-----	-----	-----	-----	-----
Total	(84,463)	44,444	-	(73,750)	(113,769)
	=====	=====	=====	=====	=====

Comprising:	2020 GH¢	2019 GH¢
Corporate Tax	44,444	-
Others	-	-
	-----	-----
	44,444	-
	=====	=====

Corporate Income Tax is charged at 25% (**2019:** 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) 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)
	=====	=====	-----	-----	-----

Deferred Tax Account

Balance at January 1	24,451	(4,725)
Released during the year	10,693	29,176
	-----	-----
Balance at December 31	35,144	24,451
	=====	=====

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:	2020 GH¢	2019 GH¢
Property, Plant and Equipment	43,925	28,553
Loans and Advances	(8,781)	(13,953)
Unquoted Equity	-	9,851
	-----	-----
	35,144	24,451
	=====	=====

20(a) 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 1/1/20	1,033,934	110,815	346,531	252,484	569,503	193,906	2,507,173
Additions	-	-	-	4,890	28,110	8,969	41,969
	-----	-----	-----	-----	-----	-----	-----
At 31/12/20	1,033,934	110,815	346,531	257,374	597,613	202,875	2,549,142
	=====	=====	=====	=====	=====	=====	=====
Depreciation							
At 1/1/20	112,384	67,916	288,402	169,618	480,649	188,946	1,307,914
Charge for the year	20,562	5,541	22,941	25,647	37,449	5,896	118,037
	-----	-----	-----	-----	-----	-----	-----
At 31/12/20	132,946	73,457	311,343	195,265	518,098	194,842	1,425,951
	=====	=====	=====	=====	=====	=====	=====
Net Book Value							
At 31/12/20	900,988	37,358	35,188	62,110	79,515	8,034	1,123,192
	=====	=====	=====	=====	=====	=====	=====
At 31/12/19	921,550	42,899	58,129	82,866	88,854	4,960	1,199,259
	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20(b) INTANGIBLE ASSETS	T24 User License	Microsoft License	Total
Cost	GH¢	GH¢	GH¢
At 1/1/2020	-	-	-
Additions	128,351	32,230	160,581
	-----	-----	-----
At 31/12/2020	128,351	32,230	160,581
	=====	=====	=====
Amortization			
At 1/1/2020	-	-	-
Amortized during the year	12,835	1,074	13,909
	-----	-----	-----
	12,835	1,074	13,909
	=====	=====	=====
Net Book Value			
At 31/12/2020	115,516	31,156	146,672
	=====	=====	=====
At 31/12/2019	-	-	-
	=====	=====	=====
	2020	2019	
20(c) RIGHT-OF-USE ASSET	GH¢	GH¢	
Balance as at 1 st January	49,100	-	
Payment during the year	30,573	-	
	-----	-----	
	79,673	-	
Amortised during the year	(22,863)	-	
	-----	-----	
Balance as at 31st December	56,810	-	
	=====	=====	
21. STATUTORY RESERVE FUND			
At January 1 st	1,376,557	-	
Transferred from Income Surplus Account	36,182	-	
	-----	-----	
At December 31st	1,412,739	-	
	=====	=====	

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 made a transfer equivalent to 12.5% of profit after to the Statutory Reserve Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2020	2019
	GH¢	GH¢
22. SOCIAL RESPONSIBILITY FUND		
At January 1 st	214,752	220,082
Transfer from Income Surplus	-	-
Expenditure	(9,298)	(5,330)
	-----	-----
	205,454	214,752
	=====	=====

	2020		2019	
	<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	700	4,200
	-----	-----	-----	-----
	68,410	386,160	68,410	386,160
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	648,232	1,324,660
	=====	=====	=====	=====

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

	2020		2019	
	<u>Required by</u>	<u>Actually</u>	<u>Required by</u>	<u>Actually</u>
	Regulation	Achieved	Regulation	Achieved
<u>Capital Adequacy</u>				
Capital Adequacy Ratio	13%	69.51%	13%	42.18%

24. 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, 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)

	2020	2019
	GH¢	GH¢
25. INCOME SURPLUS		
Balance at January 1 st	779,794	865,782
Dividends Declared	-	-
	-----	-----
	779,794	865,782
Profit/ (loss) after taxation transferred from Profit and Loss	289,457	(95,905)
	-----	-----
Balance before Statutory and Other Transfers	1,069,251	769,877
Transfer to Social Responsibility Fund	-	-
Transfer to Statutory Reserve (Note 21)	(36,182)	-
Transfer in respect of withholding Tax	-	-
Transfer to Credit Risk Reserve	-	9,917
	-----	-----
Balance at December 31st	1,033,069	779,794
	=====	=====
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
CAP Loan	55,100	-
	-----	-----
	159,716	104,616
Managed Fund Debit	(63,486)	(63,486)
	-----	-----
	96,230	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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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.

	2020 GH¢	2019 GH¢
Profit/ (loss) attributable to Ordinary Shareholders	289,457	(95,905)
	=====	=====
Weighted Average number of Ordinary Shares	648,232	648,140
	=====	=====
Basic Earnings per Share (in Ghana Cedis)	0.45	(0.15)
	=====	=====

(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.)

28. CREDIT RISK RESERVE

	2020 GH¢	2019 GH¢
At January 1st	671,444	681,361
Net Movement	-	(9,917)
	-----	-----
At December 31st	671,444	671,444
	=====	=====

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. The risk remains the same from the previous year.

29. DEFERRED INCOME

	2020 GH¢	2019 GH¢
At January 1 st	29,662	19,842
Commitment Fees Accrued during the year	73,505	56,193
	-----	-----
	103,167	76,035
Transfer to Income (Note 5)	(75,261)	(46,373)
	-----	-----
At December 31st	27,906	29,662
	=====	=====

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 GH¢	Held to Maturity Inv'mt GH¢	Available for Sale Fin. Asset GH¢	Loans and Accounts Receivable GH¢	Total Amount GH¢
Financial Assets					
Loans and Advances	-	-	-	2,917,639	2,917,639
Short Term Investments	-	15,414,623	-	-	15,414,623
Cash and Cash Balances	1,673,166	-	-	-	1,673,166
Deposit Reserve	875,118	-	-	-	875,118
Equity Investments		-	82,539	-	82,539
	-----	-----	-----	-----	-----
Total Financial Assets	2,548,284	15,414,623	82,539	2,917,639	20,963,085
	=====	=====	=====	=====	
Total Non-Financial Assets					1,590,186

Total Assets					22,553,271
					=====
Financial Liabilities					
Customer Deposits					17,066,041
Managed Funds					96,230
Creditors and Accruals/Short Term Lease					528,841

Total Financial Liabilities					17,691,122
Total Non-Financial Liabilities					4,862,159

Total Liabilities and Shareholders' Fund					22,553,271
					=====

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 amount invested in government treasury bills.

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:

	2020	2019
	GH¢	GH¢
Fixed Deposit with Waica Re Capital	446,302	500,000
Fixed Deposit with Dalex Finance & Leasing Co. Ltd.	-	1,522,143
Fixed Deposit with IFS Financial Services	-	3,260,701
Fixed Deposit with CDH Savings and Loans Co. Ltd.	-	5,417,842
	-----	-----
Total Investment Risk Exposure	446,302	10,700,686
Other Assets	206,554	288,211
Loans and Advances to Customers	2,917,639	3,098,147
	-----	-----
Total Company Credit Risk Exposure	3,570,495	14,087,044
Total Risk Free Investments (In Government Securities)	14,968,321	2,585,364
	-----	-----
	18,538,816	16,672,408
	=====	=====

The total balance of **GH¢14,968,321 (2019: 2,585,364)** 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)

As indicated in our previous year report, the balance of the lock up funds with some financial institutions whose licenses were revoked by Bank of Ghana had been paid and monies now invested in Government of Ghana Treasury Bills. **(See the movement below the aging analysis).**

Impairment losses

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

	2020			2019		
	Gross GH¢	Impairm't GH¢	Net GH¢	Gross GH¢	Impairm't GH¢	Net GH¢
Current (less than 365 days)	18,332,262	-	18,332,262	6,957,238	-	6,957,238
Impaired (above 365 days)	-	-	-	9,501,058	-	9,501,058
	18,332,262	-	18,332,262	16,458,296	-	16,458,296

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

	2020 GH¢	2019 GH¢
Balance at 1 January	8,678,543	9,426,959
Add interest accrued during the year	-	851,584
	8,678,543	10,278,543
Recoveries during the year	(8,504,076)	(1,600,000)
Balance at 31 December	174,467	8,678,543

All this monies has been recovered and invested in government of Ghana treasury bills leaving an interest amount of **GH¢174,467** which was not received from the receivers of the defunct institutions. The interest amount has since been written off against the current year Interest on Investments.

(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 2020					
Susu Savings Scheme	1,638,800	1,638,800	1,638,800	-	-
Current Account	2,879,046	2,879,046	2,879,046	-	-
Time Deposits	3,627,695	3,627,695	3,627,695	-	-
Savings Account	8,798,561	8,798,561	8,798,561	-	-
Accounts Payable	651,321	651,321	651,321	-	-
	17,595,423	17,595,423	17,595,423	-	-

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

	2020 GH¢	2019 GH¢
Salaries and other Short Term Benefits	277,287	218,739
Social Security	36,047	20,595
	-----	-----
	313,334	239,334
	=====	=====

b. Loans to key Staff

Balance at January 1 st	9,958	29,089
Net Movement	59,839	(19,131)
	-----	-----
Balance at December 31st	69,797	9,958
	=====	=====

36. SHAREHOLDING STRUCTURE

(i) Number of Shares Outstanding

Earnings and dividend per share are based on **648,232** (2019: **648,232**) ordinary shares outstanding.

(ii) Directors Shareholding:

The Directors named below held the following number of shares in the Bank as at 31st December 2020.

	No. of Shares	% of Issued Capital
Dr. Kwasi Gbordzi	17,927	2.77
Larry Kwesi Jiaage	14,092	2.17
Christian Rockson Kodzo Bensah	329	0.05
Godwin Amelor	329	0.05
Bartholomew Kwame Ahadzi	200	0.03
Frank Yaovi Lawoe	0	0
	-----	-----
TOTAL	32,877	5.07
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(iii) Number of Shareholders

The Bank had 141 ordinary shareholders as at 31st December 2020 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%
	===	=====	=====

(iv) List of Twenty Largest Shareholders as at 31st December 2020

		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. Sebastian Kofi Mensa Graham	16,553	2.55
5.	Mr. Michael Attipoe	14,711	2.27
6.	Torgbui Agbesi Awusu II	14,632	2.26
7.	Mr. Larry Kwesi Jiagge	14,092	2.17
8.	Mr. Shelter Aidam	13,809	2.13
9.	Mr. Benjamin T. K. Adadevoh	12,987	2.00
10.	Mr. William Edem Fugar	12,987	2.00
11.	Mr. Courage K. Segbawu	12,987	2.00
12.	CDR (RTD) K. T. Dovlo	12,987	2.00
13.	Mrs. Mispah Aky Glymin	12,987	2.00
14.	Mr. Shine G. A. Attitsogbui	12,987	2.00
15.	Mr. Frank Kpodo	12,987	2.00
16.	Dr. (Mrs.) Sylvia A. Mansa Boye	12,987	2.00
17.	Mr. Moses Kwashie Klinogo	12,987	2.00
18.	Torgbui Nukpornku II	11,251	1.74
19.	Mr. William K. Ashiabor	9,737	1.50
20.	Mr. Nicholas A. Gbeckor - Kove	9,737	1.50
		-----	-----
		277,642	42.83
		=====	=====

SCHEDULE I

	2020	2019
	GH¢	GH¢
<u>General and Administrative Expenses</u>		
Police Guard & Security	49,260	45,430
Board Meeting Expenses	54,553	56,584
Office Expenses	31,602	13,316
Travelling and Transport Expenses	31,120	24,517
Printing & Stationery	36,807	43,367
Repairs & Maintenance	28,124	22,873
Motor Vehicle Running Expenses	70,610	68,456
Motor Vehicle Repair and Maintenance	33,516	21,481
Rent, Rates and Taxes	-	11,458
Postage, Telephone and Telegram	11,435	21,887
Advert & Publicity	14,825	700
Insurance	114,448	61,111
Electricity, Water and Power	93,559	135,805
Entertainment Expenses	-	5,955
Professional and Legal Fees	11,483	24,272
Subscription and Periodicals	58,981	67,727
Annual General Meeting (AGM)	5,000	20,000
Staff and Directors Training Expenses	66,000	70,000
Bank Charges	10,820	13,203
Specie Expenses	4,645	2,299
Audit Expenses	7,836	13,800
Susu Running & Microfinance Expenses	98,177	95,245
Recovery Expenses	-	-
Sundry Expenses	36,057	32,604
Staff Defalcation account	-	-
Cleaning and Sanitation	9,971	-
	878,830	872,090
	=====	=====



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 (Controller and Accountant General 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