



**ANNUAL REPORTS &
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER
2020**



No. 2 Lardzeh Crescent
North Dzorwulu - Accra
Near Fiesta Royale Hotel
P.O. Box KN 4169
Kaneshie - Accra GA196

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GENERAL INFORMATION

Directors

Mr. Seth Adom-Asomaning
Dr. Nicholas Aninagyei Yeboah
Mr. Joseph Amofo Danquah
Mr. Samuel Otu-Boateng
Mrs. Caroline Duncan-Amoah
Ambassador Kwabena Baah-Duodu
Mr. Samuel Opoku-Agyemang
Dr. Kwabena Osei-Bonsu (Resigned)

14
May 2020)

Registered Office

Bank Building
Kibi-Juaso Road, Osino
P.O.Box 31
Osino

Bankers

ARB Apex Bank Limited
Consolidated Bank Ghana

Independent Auditors

Intellisys
No. 2 Lardzeh Crescent
North Dzorwulu - Accra
Near Fiesta Royale Hotel
P.O. Box KN 4169
Kaneshie - Accra GA196

Company Secretary

Mr. Benedict A. Agabeh



REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, MUMUADU RURAL BANK LIMITED

SETH ADOM-ASOMANING

Nananom,
Esteemed shareholders,
Fellow Directors,
Distinguished Ladies and Gentlemen

On behalf of the Board of Directors, I warmly welcome you to the 32nd Annual General Meeting (AGM) of the Mumuadu Rural Bank Limited and to report on the performance of our Bank for the 2020 financial year.

As we are all aware we did not hold our AGM last year because of the COVID-19 pandemic.

You will however find excerpts of the Bank's performance for the 2019 financial year in this report as provided under the table captioned "Financial Performance" for the period spanning 2016 to 2020.

THE GHANAIAN ECONOMY

The momentum with which the Ghanaian economy was expected to grow was held back due to the ravaging effects of the COVID-19 pandemic. Real GDP growth was estimated to decelerate from 6.5% to 1.7% in 2020, due mainly to the slump in oil prices and weakened global economic activity.

Inflation closed the year at 10.6% in 2020 from 8.7% in 2019 due to pandemic-induced interruptions in supply chains and increase in the prices of essential consumer items, especially food. This could be attributed to panic buying during the lockdown. Compared to a 10% depreciation in 2019, the rate of the depreciation of the Ghana Cedi at 3.1% in 2020 was quite remarkable. This could be attributed to the slowdown in imports and reduced demand for foreign currency.

THE BANKING INDUSTRY

The banking sector reforms, including capitalization of banks enhanced the overall resilience of the industry. The sector remained strong and robust at the end of 2020. There was an appreciable increase in total assets which manifested in growth in investments in government securities.

Many banks having burnt their fingers in investments in some microfinance and other institutions regulated mainly by the Securities and Exchange Commission (SEC), redirected their investments into government bills and products.

The stimulus package and payment to contractors helped to ameliorate the situation which ensured that banks remained liquid, well capitalized and profitable.

Timely interventions by the Bank of Ghana, including the reduction in the Policy Rate by 150 basis points, the lowering of the primary reserves by 200 basis points and the drop of the Capital Adequacy Ratio by 150 basis points made very positive impact on the Ghanaian Banking landscape.

PERFORMANCE INDICATOR	2020 GH¢	2019 GH¢	2018 GH¢	2017 GH¢	2016 GH¢
TOTAL INCOME	23,219,206	20,784,320	21,043,154	18,965,142	13,324,122
TOTAL EXPENSE	19,834,849	19,159,145	18,573,587	16,197,065	11,224,349
NET PROFIT (LOSS) BEFORE TAX	3,384,357	1,625,175	2,469,567	2,768,077	2,099,773
CORPORATE TAX	941,556	860,413	691,100	656,759	532,071
NET PROFIT (LOSS) AFTER TAX	2,442,801	976,999	1,778,467	2,111,318	1,567,702
DEPOSIT	88,742,036	61,199,035	50,623,642	44,180,309	33,402,659
LOAN	52,019,725	42,468,503	36,707,198	30,580,123	22,816,147
INVESTMENT	33,727,847	20,338,716	19,854,374	18,222,646	15,427,286
TOTAL ASSET	113,830,760	82,783,021	70,133,422	63,388,552	48,277,466
TOTAL ASSET GROWTH (%)	37.5	18.10	10.64	31.30	34.21
STATED CAPITAL	3,921,202	3,921,202	3,921,202	3,872,355	2,444,826
EQUITY	13,477,719	11,222,612	10,149,433	9,489,054	7,733,157
RETAINED EARNINGS	5,003,369	3,330,446	2,597,697	2,667,116	2,139,647

MUMUADU'S PERFORMANCE

Distinguished shareholders, ladies and gentlemen, coming back home, let us see how well our bank performed. It is an understatement to say that the competition among the Universal Banks and other sister Rural and Community Banks (RCBs) remained robust.

It is refreshing to note however that in spite of the vicissitudes in the economy during the year under review, Mumuadu as usual was equal to the challenges. In many aspects of our operations, as the table above succinctly depicts, the success story of our bank is one to be proud of.

FINANCIAL PERFORMANCE

SIGNIFICANT GROWTH SECTORS

1.1.1 TOTAL INCOME

Total earnings increased by **11.72%** from **GH¢ 20,784,320** in 2019 to **GH¢23,219,206** in 2020.

1.1.2 TOTAL EXPENSES

Total expenses increased by **3.53%** from **GH¢19,159,145** in 2019 to **GH¢19,834,849** in 2020.

2.1.3 LIQUIDITY AND CAPITAL ADEQUACY RATIO

- a) Primary reserve for the year was **14.29%** that is **8.29%** above the required ratio of **6%**.
- b) Secondary reserve of **37.46%** was above the statutory requirement of **30%** by **7.46%**
- c) The capital adequacy ratio of **13.72%** recorded in 2019 reduced to **10.62%** in 2020 with an excess of **GH¢769,161** at the end of the financial year. The minimum capital adequacy ratio required by the Bank of Ghana is **10%**.

1.1 Total Assets Growth

The Bank's total assets at the end of year 2020 increased from **GH¢ 82,868,165** in 2019 to **GH¢113,830,760** indicating **37.5%** increment during the year.

1.2 Investments

The Bank increased its short and medium-term as well as investments securities by **65.83%** over the previous year's portfolio from **GH¢20,338,716** in 2019 to **GH¢33,727,847** in 2020.

1.3 Loans and Advances

The balance of advances outstanding after provision for bad and doubtful debts increased from **GH¢42,458,503** in 2019 to **GH¢52,019,725** in 2020. This represents an increase of **22.5%** over 2019 outstanding advances after provision for bad and doubtful debts.

1.4 Deposits

Deposits increased from **GH¢61,199,035** in 2019 to **GH¢88,742,036** in 2020 representing an increase of **45%**.

1.5 Stated capital

Stated Capital remained **GH¢ 3,921,202.00** in 2019 and 2020.

1.6 Shareholders' funds

Shareholders' funds increased from **GH¢11,222,612** in 2019 to **GH¢13,477,719** in 2020, an increase of **20%**

PROFIT

The Bank increased its Profit before tax from **GH¢1,691,748** in 2019 to **GH¢3,384,357** in 2020. The increase was **100%**. Your bank deserves an applause.

MICROFINANCE OPERATIONS

The Department increased group loans disbursement by **26.9%** from **GH¢9,579,150** in 2019 to **GH¢12,159,800**. Group numbers also increased from **481** in 2019 to **498** in 2020 with a membership of **485** for males and **3,546** for females.

The prospects in this sector remain high and it is our expectation that more groups will be formed to access funds under the programme.

CORPORATE SOCIAL RESPONSIBILITY

The Bank spent a total of **GH¢79,204 on various social intervention** activities during the year under review. The bank responded to the Government request for COVID -19 relief items by donating

- a. Nose masks
- b. Veronica Buckets
- c. Liquid soap
- d. Sanitizer and
- e. Tissue Paper to the following institutions:
 1. Fanteakwa South District Health Directorate
 2. Koforidua Regional Hospital
 3. Nkawkaw Holy Family Hospital
 4. New Abirem Government Hospital
 5. Kyebi Government Hospital.
 6. Suhum Government Hospital
 7. Nsawam Government Hospital
 8. Begoro District Hospital

ELECTION OF DIRECTORS

Dear shareholders, in the course of this meeting, there will be an election of new Directors to augment and strengthen the Board. Those to be elected meet the fit and proper criteria set by the Bank of Ghana in terms of their educational and professional qualifications, background and areas of experience and expertise.

After their election their profile will be submitted to the Bank of Ghana for final approval before they assume office as members of the Board. Whilst I wish each contestant the best of luck, I entreat shareholders to vote wisely.

OUR COLLECTIVE OUTLOOK.

Dear Shareholders,
Ladies and Gentlemen,

I want to emphasize MRB's commitment and resolve to leverage on evolving opportunities in its quest to return more value for its shareholders.

Our management team will remain on the right track and it is my fervent hope and desire that with a disciplined focus on executing our strategic priorities and being quick and nimble, we will continue to remain resilient to give good performance.

The Board will continue to support the team while maintaining appropriate governance and risk oversight to deliver profitable returns in an appropriate and sustainable manner.

We will continue our strong momentum in our digital transformation agenda to achieve projected milestones in the years ahead.

Following the restrictions that came with the lockdown, digital became the primary channel for retailers, doctors, governments, property and auto dealers and banks. The reality now is that even as lockdowns have been relaxed, the consensus is that many customers may never return to regular physical engagements. We as a bank will have no alternative but to deploy technology based solutions to drive financial inclusion and grow the Bank to retain our status as one of the top tier Rural Banks in the country. It is gratifying to note that we have already started to adopt cutting edge technology to support and enhance our product and service offerings.

It is true a physical bank branch holds a cultural, historical and prestige value for

communities which have them. It is the final bastion for key segments of the population that cling to them. But the reality is that they may soon become fossils and relics of the past.

As a progressive Board, we have taken due note of this reality and in line with the new thinking which has come with the “new normal”, we will gradually and systematically break out of the traditional branch model and focus on how to deliver specific high value transactions with the application of relevant digital banking technology. In this connection, we will ensure our payment and digital platforms are solid to serve customers better because it is the way forward for every bank. When we are able to leverage on this edge in the “new normal”, the savings made on the related cost will be extended to customers by a reduction in their transactions cost.

EVERYTHING VIRTUAL

In my address to shareholders of some RCBs last year as the President of the Eastern Regional Chapter of the Association of Rural Banks, I exhorted them to adopt digital platforms which will enable customers to take their mobile phones and transact business at the touch of a button from the comfort of their homes, offices, markets and of course anywhere. If this exhortation was a prophecy, Covid -19 has brought it to pass earlier than it was expected.

A time will soon come when AGMS may have to be held virtually or by the ZOOM technology. That has become one of the concomitants of the Covid -19 pandemic. We may therefore not have to meet face to face or physically at a single location in the coming years. Indeed Citizens

Rural Bank at Nsawam, held their AGM last year by ZOOM.

Mpanifo se, se mmerε dane ne ho a, wo nso dane wo ho bi. so let us prepare our minds for this eventuality so that we will not be overtaken by events

STAFF TRAINING

The Board recognizes that an institution may have the best products and facilities on paper but without a well trained and motivated personnel it cannot achieve much. It is against this background that the bank has invested heavily in training and retraining our staff in modern banking technology to offer improved services to its esteemed customers. It is our expectation that with this heavy doses of soft skills, good corporate attitude, our very well motivated staff will bring on board strategies to make our banking operations better and more efficient. The Board was not left out in training programs and workshops which sharpened their oversight skills.

GRATITUDE

Dear shareholders, ladies and gentlemen, may I, before I resume my seat express my profound gratitude to the shareholders, and especially to my fellow board members for the unflinching support and ensuring that the Mission and Vision of our bank remained on track. I am also grateful to the management and staff of the bank for your loyalty, hard work and commitment to the achievements of our collective objective of making our bank the first among equals.

Thank You For Your Attention and may the Good Lord Bless Us All

**Seth Adom-Asomaning
CHAIRMAN, BOARD OF DIRECTORS.**

REPORT OF DIRECTORS



In accordance with the requirements of section 136 of the Companies Act 2019 (Act 992), we the Board of Directors of Mumuadu Rural Bank Limited submit our report together with the audited financial statements of the Bank for the year ended 31 December 2020.

Statement of Directors' responsibilities

The Directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content in the presentation of the statement of financial position, results of operations and business of the Bank, and explain the transactions and financial position of the business of the Bank at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the Bank and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal controls established by the Bank and place considerable importance on maintaining a strong control environment. To enable the Directors meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatements or loss. The going-concern basis has been adopted in preparing the annual financial statements. Based on forecasts and

available cash resources, the Directors have no reason to believe that the Bank will not be a going concern in the foreseeable future.

Principal activity

The Bank is licensed to carry out the business of rural banking in Ghana. There was no change in the nature of the Bank's business during the year.

Financial results

The Bank generated a profit after tax of GHS 2,442,801 for the year ended 31 December 2020 (2019: GHS 764,762).

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Events after reporting date

The Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Bank.

Directors' interest in contracts

To our knowledge none of the Directors had any interest in contracts entered into during the year under review.

Authorised and issued share capital

During the current financial year, the total number of ordinary shares issued was 63,222 (GHS 24,543). These are yet to be regularised at the Registrar General's Department.

Borrowing limitations

In terms of the Memorandum of Incorporation of the Bank, the Directors may exercise all the powers of the Bank to borrow money, as they consider appropriate.

Dividends

No dividends were declared during the year under review (2019: Nil).

Directors

The Directors of the Bank during the year and to the date of this report were as follows:

Mr. Seth Adom-Asomaning	Chairman
Dr. Nicholas Aninagyei Yeboah	Member
Mr. Joseph Amofo Danquah	Member
Mr. Samuel Otu-Boateng	Member
Mrs. Caroline Duncan-Amoah	Member
Ambassador Kwabena Baah-Duodu	Member
Mr. Samuel Opoku-Agyemang	Member
Dr. Kwabena Osei-Bonsu	Member Resigned 14th May, 2020

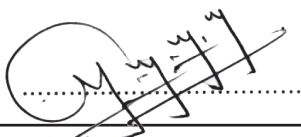
Secretary

The Bank's designated secretary is Mr. Benedict A. Agabeh.

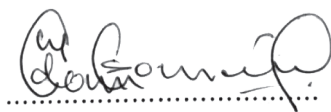
Independent Auditors

Intellisys were the independent auditors for the year under review. The audit fee payable for the year 2020 was GHS 27,000 (2019: GHS 22,500).

The annual financial statements as set out on pages 8 to 29 were approved by the Board of Directors and signed on their behalf by:



Director



Director

Date _____ 2021

**Chartered Accounts**

No. 2 Lardzeh Crescent
North Dzorwulu
P.O. Box KN 4169
Kaneshie, Accra, Ghana
GPS: GA-196-3610
Phone: +233 (0) 302 502801
Email: info@intellisysgh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mumuadu Rural Bank Limited Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Mumuadu Rural Bank Limited set out on pages 8 to 29, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Partners: Ben Korley, Theresa Ampadu-Boateng, MyraStella Ansa

INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters (continued)

Key Audit Matter	How we addressed the key audit matter
<p>Impairment provisions on loans and advances to customers (Refer to note 9)</p> <p>Impairment allowances represent management's best estimates of the losses incurred within the loan portfolio at the statement of financial position date. The Directors make judgements over both the timing of recognition of impairment and the estimation of any such impairment. Impairment allowance is calculated on an individual basis for all loans and requires judgement to determine when an impairment event has occurred and then to estimate the expected future cash flows related to that loan.</p> <p>The underlying assumptions are subjective. The risk that the impairment provision on loans and advances may not be adequate to cover the default risk in the loan portfolio has been identified as significant and considered in our audit approach.</p>	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none"> • We updated our understanding of and evaluated key controls within the loan origination, approval, monitoring and recovery processes. • We examined a sample of loans and advances challenging the assumptions for classification of the loans and advances contrary to the Bank of Ghana's prudential guidelines for adequate provisions and classification of loans and advances. • We independently re-performed the calculation of impairment allowance and compared with the Bank's estimate.
Key Audit Matter	How we addressed the key audit matter
<p>Short and medium term investments (Refer to Note 15)</p> <p>Bank of Ghana (BOG) and Securities and Exchange Commission (SEC) had revoked the licences of (386) Financial Institutions and (53) Fund Management Companies respectively in 2019. The Bank had investments with Ideal Capital Partners Limited, Ideal Finance Company Limited, CDH Savings and Loans Company Limited and Blackshield Management Capital (Formerly Gold Coast Fund Management) which had their licences revoked. The risk that these investments may be not be recovered has been identified as significant and considered in our audit approach.</p>	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none"> • We obtained and assessed the claims sheet filed to the appointed receiver. • Checked the claims validated by the receiver. • Checked for any subsequent payments made by the receiver through the bank statement. • Compared amount per the validated claims less any amounts received to amount stated in the client trial balance. • Adjusted for (any) difference so as to ensure that the investment recognised did not exceed the amount validated.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 and those charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2019 (Act 992), and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank'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 Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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.

INDEPENDENT AUDITOR'S REPORT (Continued)

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 controls that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

INDEPENDENT AUDITOR'S REPORT (Continued)

- (ii) In our opinion proper books of accounts have been kept by the Bank so far as appears from our examination of those books, and
- (iii) The statement of profit or loss and other comprehensive income and the statement of financial position are in agreement with the books of accounts.

The Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930) section 85(2) requires that we state certain matters in our report.

We hereby state that:

- (i) The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year under review.
- (ii) We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors:
- (iii) The Bank's transactions were within its power: and
- (iv) The Bank has generally complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930) and section 137 of the Companies Act, 2019 (Act 992).
- (v) The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) as amended, the Anti-Terrorism Act, 2008 (Act 762) and section 137 of the Companies Act, 2019 (Act 992).

The engagement partner on the audit resulting in this independent auditor's report is MyraStella Ansah (ICAG/P/1438)

Intellisys
(ICAG/F/2021/078)
Chartered Accountants
No. 2 Lardzeh Crescent North Dzorwulu, Accra
Near Fiesta Royale Hotel

Dated: _____ 2021.


STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Figures in GHS	Notes	2020	Restated 2019
Interest income	4	20,142,219	17,703,143
Interest expense	5	(5,159,388)	(4,494,751)
Net interest income		14,982,831	13,208,392
Fee and commission income	6	2,650,408	2,637,692
Fee and commission expense	7	(261,085)	(144,520)
Net fee and commission income		2,389,323	2,493,172
Other operating income	8	426,579	443,485
Operating income		17,798,733	16,145,049
Net impairment loss on financial assets	9	(302,664)	(582,657)
Personnel expenses	10	(7,465,213)	(7,900,603)
Depreciation and amortisation	11	(1,100,818)	(777,630)
Other operating expenses	12	(5,545,681)	(5,258,984)
Profit before income tax		3,384,357	1,625,175
Income tax expense	13	(941,556)	(860,413)
Profit for the year		2,442,801	764,762

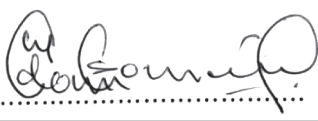
STATEMENT OF FINANCIAL POSITION

Figures in GHS	Notes	2020	Restated 2019
Assets			
Cash and cash equivalents	14	15,801,847	11,464,710
Short and medium term investments	15	18,513,030	20,186,768
Loans and advances to customers	16	52,019,725	42,468,503
Investment securities	17	15,214,817	151,948
Other assets	18	5,583,452	3,795,314
Property, plant and equipment	19	6,697,889	4,715,778
Total Assets		113,830,760	82,783,021
Equity and Liabilities			
Equity			
Stated capital	20	3,921,202	3,921,202
Capital Surplus		518,801	518,801
Statutory Reserves	21	3,913,624	3,302,924
Deposit for shares	22	120,723	96,180
Retained Earnings	23	5,003,369	3,171,268
		13,477,719	11,010,375
Liabilities			
Deposits and current accounts	24	88,742,036	61,199,035
Borrowings	25	4,436,819	5,936,819
Managed funds	26	1,436,703	845,268
Dividend	27	288,044	411,477
Current taxation liability	28	174,282	60,520
Deferred taxation	29	77,901	74,652
Interest payable and other liabilities	30	5,197,256	3,244,875
		100,353,041	71,772,646
Total Equity and Liabilities		113,830,760	82,783,021

The annual financial statements as set out on pages 8 to 29 were approved by the Board of Directors and signed on their behalf by:



 Director
 _____ 2021



 Director
 _____ 2021

STATEMENT OF CHANGES IN EQUITY

Figures in GHS	Stated capital	Capital Surplus	Statutory Reserves	Deposit for shares	Retained Earnings	Total
Balance at 1 January 2020	3,921,202	518,801	3,302,924	96,180	3,171,268	11,010,375
Profit for the year	-	-	-	-	2,442,801	2,442,801
Transfer to statutory reserve	-	-	610,700	-	(610,700)	-
Shares acquired not registered	-	-	-	24,543	-	24,543
Balance at 31 December 2020	3,921,202	518,801	3,913,624	120,723	5,003,369	13,477,719
Balance at 1 January 2019	3,921,202	518,801	3,111,733	-	2,597,697	10,149,433
Profit for the year	-	-	-	-	764,762	764,762
Transfer to Statutory Reserve	-	-	191,191	-	(191,191)	-
Shares acquired not registered	-	-	-	96,180	-	96,180
Balance at 31 December 2019	3,921,202	518,801	3,302,924	96,180	3,171,268	11,010,375

STATEMENT OF CASH FLOWS

Figures in GHS	Notes	2020	Restated 2019
Cash flows from operating activities		3,384,357	1,625,175
Profit before tax			
<i>Adjustments for:</i>			
Depreciation of Property, plant and equipment	11	1,100,818	777,630
Other impairments	9	302,664	582,657
Extraordinary items		-	-
Operating cash flow before working capital changes		4,787,839	2,985,462
<i>Working capital changes</i>			
Increase in loans & advances	16	(9,853,886)	(6,343,962)
Decrease/(increase) in short and medium term investments	15	1,673,738	(2,937,234)
Decrease/(increase) in investment securities		(15,062,869)	-
Decrease/(increase) in interest payable and other liabilities	30	1,952,382	(56,724)
(Increase)/decrease in other assets	18	(1,788,138)	1,688,610
Decrease/(increase) in customer deposits	24	27,543,001	10,575,393
Increase in managed funds	26	591,435	110,780
Cash generated by operating activities		9,843,502	6,022,325
Income tax paid	28	(824,545)	(700,865)
Net cash from operating activities		9,018,957	5,321,460
Cash flows from investing activities			
Property, plant and equipment acquired	19	(3,082,930)	(1,518,808)
Net cash utilised in investing activities		(3,082,930)	(1,518,808)
Cash flows from financing activities			
Capital issued	22	24,543	96,180
Loans (repaid)/raised	25	(1,500,000)	292,274
Dividends paid		(123,433)	(452,042)
Net cash utilised in financing activities		(1,598,890)	(63,588)
Increase in cash and cash equivalents		4,337,137	3,739,064
Cash and cash equivalents at beginning of the year		11,464,710	7,725,646
Cash and cash equivalents at end of the year	14	15,801,847	11,464,710

ACCOUNTING POLICIES

1. General information

Mumuadu Rural Bank Limited is a limited liability Company incorporated and domiciled in Ghana under the Companies Act, 2019 (Act 992). The address of the Bank's registered office is Bank Premises, P. O. Box 31, Kibi-Juaso Road, Osino. The Bank operates with a Banking license that allows it to undertake the business of rural banking. The Bank has 8 registered branches at Osino, Koforidua, Begoro, Kyebi, Nkawkaw, Nsawam, Suhum and New Abirem.

2. Statement of compliance

The annual financial statements of the Bank have been prepared in accordance with the Companies Act, 2019 (Act 992), Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and all applicable International Financial Reporting Standards (IFRS), issued by the international Accounting Standards Board and adopted by the Institute of Chartered Accountants, Ghana.

2.1 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the Bank operates (functional currency). The Bank's functional currency is the Ghana Cedis (GHS). Financial information presented in Ghana Cedis are rounded to the nearest whole number.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in note 3.

The estimates and underlying assumptions are reviewed on an ongoing concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Summary of significant accounting policies

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

ACCOUNTING POLICIES

Statement of compliance continued...

2.3 New standards, amendments and interpretations adopted by the Bank

2.3.1 IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers effective for periods beginning on 1 January, 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (IFRS 9, financial Instruments and IFRS 16, leases).

Revenue under IFRS 15 needs to be recognised as goods and services are transferred, to the extent that the transfer or anticipated entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. Adoption of the IFRS 15 did not have any significant impact on the Bank. The Bank has elected to adopt IFRS 15 using the cumulative effect method, under which the comparative information has not been restated.

2.4 New and amended standards/interpretation issued not yet adopted by the Bank

2.4.1 IFRS 16 Leases

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January, 2018:

The IASB published a new accounting standard on leases namely, Leases (IFRS 16). IFRS 16 takes effect on 1 January, 2019 and will replace IAS 17, Leases (IAS 17). IFRS 16 is envisaged to improve the quality of financial reporting for Companies with material off balance sheet leases. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

ACCOUNTING POLICIES

Statement of compliance continued...

2.4.2 IFRS 9 Financial Instrument

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, as well as new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

The Bank is however yet to adopt IFRS 9

2.5 Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Interest income is generally recognised when future economic benefits of the underlying assets will flow to the Bank and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement.

2.6 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

2.7 Other operating income

Other operating income comprises gains or losses arising on fair value changes in trading assets and liabilities, profit or loss on disposal of property, plant and equipment and foreign exchange differences.

2.8 Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ACCOUNTING POLICIES

Statement of compliance continued...

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to income surplus.

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the property, plant and equipment to their residual values at the end of their useful lives. Items of property, plant and equipment are depreciated from the date that they are installed and available for use. Land is not depreciated as it is deemed to have an indefinite life. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

The major categories of property, plant and equipment are depreciated at the following rates:

Furniture and fittings	20%
Bank building	2%
Motor vehicles	20%
Motor bikes	20%
Equipment	25%
Computer and accessories	25%

2.9 Investments

Investments are recognised and derecognised on the trade date when the Bank commits itself to purchase or sell an asset and are initially measured at fair value plus, in the case of investments other than trading securities, transaction costs. At each statement of financial position date, the Bank assesses whether there is any objective evidence that an investment or Bank of investments is impaired. Investments are further categorised into the following classifications for the measurement after initial recognition.

ACCOUNTING POLICIES

Statement of compliance continued...

2.9.1 Held-to-maturity investments

Investment in debt securities with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity are classified as held-to-maturity investments, which are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Impairment losses on held-to-maturity investments are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between its carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition.

2.9.2 Unquoted equity instruments carried at cost

Investments in unquoted equity instruments whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, is measured at cost less impairment losses, if any.

If there is objective evidence that an impairment loss has been incurred on such instrument, the amount of impairment loss is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar instrument. Such impairment losses are not reversed.

2.9.3 Fair value

Fair value of an investment on initial recognition is normally the transaction price, unless it is estimated by using a valuation technique when part of the consideration given or received is for something other than the investments.

After initial recognition, the fair value of an investment quoted in an active market is based on the current bid price and, for investments not quoted in an active market; the Bank establishes the fair value of such investment by using a valuation technique.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

ACCOUNTING POLICIES

Statement of compliance continued...

2.10 Financial assets

2.10.1 Classification

The Bank classifies its financial assets in the following categories: Held to maturity investment, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2.10.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.10.3 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Bank commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Bank's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'Gains and losses from investment securities'.

ACCOUNTING POLICIES

Statement of compliance continued...

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Bank's right to receive payments is established.

2.10.4 Cash and cash equivalents

Cash comprises cash on hand and at Bank and demand deposits with Bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Financial liabilities

2.11.1 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.11.2 Stated capital

Stated Capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental cost directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ACCOUNTING POLICIES

Statement of compliance continued...

reference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity on approval by the Bank's shareholders.

2.12 Post-employment benefits and short-term employee benefits

2.12.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the Bank has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

A liability is recognised for the amount expected to be paid under short term bonuses in the Bank as the Bank has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.13 Income taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The current income taxation charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

The tax currently payable is based on taxable profit for the year.

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred taxation asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

2.14 Statutory reserve

Statutory reserve represents the cumulative amounts set aside from annual net profit after tax as required by Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

ACCOUNTING POLICIES

Statement of compliance continued...

2.15 Allowance for impairment

The estimation of the amount of allowance for impairment on advances, arising either due to renegotiation of the payment terms or non-performance on the part of the beneficiary, vis-a-vis the amount of loan provisioning in accordance with the Bank of Ghana Rules is the Bank's most critical accounting estimate.

Any excess of provisions in accordance with the Bank of Ghana requirements over the IFRS Credit Impairment allowance is recognized in Equity.

2.16 Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

3. Critical accounting judgements and key sources of estimation uncertainty

The Bank's management makes assumptions, estimates and judgements in the process of applying the Bank's accounting policies that affect the assets, liabilities, income and expenses in the consolidated annual financial statements prepared in accordance with IFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision policy affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Useful lives of property, plant and equipment

The Bank determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The Directors will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non strategic assets that have been abandoned or sold. The rates are set out in note 2.8.

3.2 Income taxation

Income taxation for the year includes current taxation and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss, except to the extent that the taxation arises from a transaction or event which is recognised directly in equity. In the case if the taxation relates to items that are recognised directly to equity, current taxation and deferred taxation are also recognised directly to equity.

ACCOUNTING POLICIES

Statement of compliance continued...

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted by the statement of financial position date. Current tax is the amount of income tax payable or recoverable in respect of the taxable profit or loss for a period.

Critical accounting judgements and key sources of estimation uncertainty continued...

Income taxation (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred tax assets also arise from unused taxation losses and unused taxation credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
4. Interest income		
Interest on loans	12,831,245	11,583,479
Interest on overdraft	3,500,686	3,454,477
Interest on investments	3,810,288	2,665,187
	<u>20,142,219</u>	<u>17,703,143</u>
5. Interest expense		
Interest on borrowings	473,881	775,414
Interest on fixed deposits	3,763,031	3,011,013
Interest on savings	922,476	708,324
	<u>5,159,388</u>	<u>4,494,751</u>
6. Fee and commission income		
Committment fees	1,445,234	1,489,595
Committment on remittances	61,321	34,585
Other commissions	1,143,853	1,113,512
	<u>2,650,408</u>	<u>2,637,692</u>
7. Fee and commission expense		
Cheque clearing fees	54,005	60,623
Susu agents commission	207,080	83,897
	<u>261,085</u>	<u>144,520</u>
8. Other operating income		
SMS charges	76,446	46,108
Bad debt recovery	134,287	80,270
Sundry income	215,846	317,107
	<u>426,579</u>	<u>443,485</u>
9. Net Impairment loss on financial assets		
Charge for the year	302,664	-
Bad debts written off	-	2,011,869
Provision no longer required	-	(1,429,212)
	<u>302,664</u>	<u>582,657</u>
10. Personnel expenses		
Salaries & Wages	4,095,011	4,010,828
Employer`s pension contribution	493,612	530,987
Medical expenses	18,547	21,372
Staff training	163,865	199,358
Bonus	348,913	415,260
Long service award	5,000	40,686
Other staff cost	2,340,265	2,682,112
	<u>7,465,213</u>	<u>7,900,603</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Depreciation and amortisation

Depreciation on property, plant and equipment for the year amounted to GHS 1,100,818 (2019: GHS 777,630). Refer to note 19 for details.

Figures in GHS	2020	Restated 2019
12. Other operating expenses		
Audit expenses	24,822	9,195
Advertising & publicity	94,533	69,222
Auditors' remuneration	27,000	22,500
Cleaning & Sanitation	73,093	42,623
Computer expenses	417,313	537,897
Consultancy fees	14,450	8,900
Recovery expenses	45,970	34,955
Mobilization expenses	599,836	468,032
Directors Remuneration	110,750	124,950
Donations & Charitable contributions	79,204	72,225
Electricity and water	157,540	137,408
Entertainment	92,145	118,940
Staff durbar	137,670	126,000
Generator Running cost	66,669	59,323
Insurance	397,709	162,187
Legal expense	45,860	17,580
Specie movement	63,953	93,390
Microfinance expenses	225,254	150,654
Housing expenses	159,031	120,049
Motor vehicle running cost	152,981	182,242
Board meeting expenses	185,865	220,458
Business promotion	176,459	94,519
Rent, Rates & Levies	349,270	321,743
Annual General Meeting	7,668	112,488
Postage, Telephone & Telegraph	48,485	43,598
Printing and stationery	183,524	162,068
Repairs and maintenance	199,533	203,729
General expenses	524,490	713,961
Police Guard	426,818	406,927
Software License & Support	202,175	146,455
Subscriptions & Periodicals	89,226	112,108
Travelling expenses	166,385	162,658
	5,545,681	5,258,984

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
13. Income tax expense		
Current tax (note 28)	938,307	595,992
Deferred tax (note 29)	3,249	264,421
	941,556	860,413
14. Cash and cash equivalents		
Cash on hand	3,251,351	2,822,838
Mobile money	332,182	196,554
Clearing account	2,112,571	1,546,703
ARB Placement Account	4,105,743	2,998,615
	9,801,847	7,564,710
Apex Certificate of Deposit (ACOD 7)	6,000,000	3,900,000
	15,801,847	11,464,710
15. Short and medium term investments		
Treasury bills	4,000,000	2,250,000
Fixed deposits	14,513,030	17,936,768
	18,513,030	20,186,768
The fixed deposits are categorized as follows:		
<i>Running investments</i>		
NDK Financial Services Limited	2,717,606	1,376,364
Consolidated Bank Ghana	3,500,000	-
	6,217,606	1,376,364
<i>Validated under BoG</i>		
CDH Savings and Loans Company Limited	823,163	4,660,392
Ideal Finance Company Limited	-	4,427,750
	823,163	9,088,142
<i>Validated under SEC</i>		
Gold Coast Fund Management	4,153,511	4,153,511
Ideal Capital Partners	3,318,750	3,318,750
	7,472,261	7,472,261
Total Fixed Deposits	14,513,030	17,936,768

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Bank of Ghana (BoG) and Securities and Exchange Commission (SEC) revoked the licenses of 386 Financial Institutions and 53 Fund Management Companies respectively in 2019. The Bank had investments with some companies which were affected by this decision and went through a validation process initiated by BoG and SEC to help recover its investments.

The investments held with Bank of Ghana(BoG) regulated entities have been validated at their full amounts by the Receiver appointed by Bank of Ghana. The total investment with Ideal Finance Company Limited has been recovered with an outstanding balance of GHS 823,163 receivable in respect of the investments held with CDH Savings and Loans Company Limited.

The investments held with companies regulated by the Securities and Exchange Commission (SEC) of Ghana have also been validated at their full amounts but a liquidation process is yet to commence before payments will be received.

Figures in GHS	2020	Restated 2019
16. Loans and advances to customers		
Loans	41,369,336	35,119,851
Overdraft	12,326,400	8,721,999
	<u>53,695,736</u>	<u>43,841,850</u>
Impairment loss	(1,676,011)	(1,373,347)
	<u>52,019,725</u>	<u>42,468,503</u>
Other Statistics		
(i) Loan Loss Provision Ratio	3 %	3 %
(ii) Gross Non Performing Loans Ratio	4 %	5 %
(iii) Twenty (20) Largest Exposures	26 %	26 %
Analysis by Type of customers		
Individuals and other private enterprise	49,972,876	40,703,533
Staff	3,722,860	3,138,317
	<u>53,695,736</u>	<u>43,841,850</u>
Gross loans and advances	(1,676,011)	(1,373,347)
Allowance for impairment	<u>52,019,725</u>	<u>42,468,503</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
Analysis by Industry Sector		
Agriculture	631,114	2,394,534
Cottage Industries	1,412,071	3,512,638
Transport	2,195,453	4,424,226
Trading	18,005,339	13,140,952
Others	31,451,759	20,369,500
Gross loans and advances	53,695,736	43,841,850
Allowance for impairment	(1,676,011)	(1,373,347)
	52,019,725	42,468,503
Movement on impairment provision		
At 1 January	1,373,347	2,029,957
Charge for the year	302,664	
Provision no longer required	-	(1,429,212)
Transfer from loan risk fund	-	772,602
At 31 December	1,676,011	1,373,347
Impairments of loans and advances		
Category	%	Provision
Current	1	477,546
OLEM	10	18
Substandard	25	15,121
Doubtful	50	199,630
Loss	100	983,696
		1,676,011
17. Investment securities		
ARB Apex Bank Ltd Shares	151,948	151,948
Government of Ghana Bonds	15,062,869	-
	15,214,817	151,948

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
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At the end of the year, the Bank had investments in Government of Ghana (GoG) Bonds amounting to GHS 15,062,869. Below are details of the bonds purchased.

5yr GoG Bond @ 16.25% (Maturity Date: 07/04/2025)	5,057,078	-
12yr GoG Bond @ 20.50% (Maturity Date: 29/12/2031)	5,006,033	-
12yr GoG Bond @ 20.50% (Maturity Date: 29/12/2031)	4,999,758	-
	15,062,869	-

Movement	Shares	Value		
Ordinary shares in ARB Apex Bank	44,590	0.045	2,000	2,000
Surplus arising on revaluation			42,590	42,590
Bonus shares given	12,044	1.230	14,814	14,814
Right issue	80,000	1.157	92,544	92,544
	136,634	2.432	151,948	151,948

18. Other assets

Stationery stock	59,571	93,723
Office account	1,289,258	539,541
Prepayments	632,124	630,073
Interagency accounts	-	405
Accrued interest on investments	3,602,499	2,531,572
	5,583,452	3,795,314

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS			2020	Restated 2019		
19. Property, plant and equipment						
	Cost	Accumulated depreciation	2020 Carrying value	Cost	Accumulated depreciation	2019 Carrying value
<i>Owned assets</i>						
Bank Premises	1,204,430	(241,775)	962,655	1,204,430	(200,417)	1,004,013
Office equipment	2,091,084	(1,372,422)	718,662	2,032,971	(1,048,163)	84,808
Motor vehicles	1,505,674	(764,259)	741,415	877,316	(559,862)	317,454
Furniture and fixtures	1,009,360	(590,554)	418,806	656,610	(445,856)	210,754
Land	250,650	-	250,650	235,150	-	235,150
Computers	1,788,377	(1,080,188)	708,189	1,248,959	(836,032)	412,927
T24 Banking Software	385,054	(19,253)	365,801	-	-	-
Motor Bikes	403,055	(268,155)	134,900	352,557	(204,247)	148,310
Work In Progress	2,396,811	-	2,396,811	1,402,362	-	1,402,362
	11,034,495	(4,336,606)	6,697,889	8,010,355	(3,294,577)	4,715,778

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Transfers	Depreciation	2020 Carrying value at end of year
<i>Owned assets</i>					
Bank Premises	1,004,012			(41,357)	962,655
Office equipment	984,808	58,113		(324,259)	718,662
Motor vehicles	317,454	687,148		(263,187)	741,415
Furniture and fixtures	210,754	352,750		(144,698)	418,806
Land	235,150	15,500		-	250,650
Computers	412,927	539,418		(244,156)	708,189
T24 Banking Soft- ware	-	385,054		(19,253)	365,801
Motor Bikes	148,310	50,498		(63,908)	134,900
Work In Progress	1,402,362	994,449		-	2,396,811
	4,715,777	3,082,930	-	(1,100,818)	6,697,889

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS				2020	Restated 2019
	Carrying value at beginning of year	Additions	Disposals	Depreciation	2019 Carrying value at end of year
Owned assets					
Bank Premises	1,280,465		(235,150)	(41,302)	1,004,013
Office equipment	262,934	863,145	-	(141,271)	984,808
Motor vehicles	460,358		-	(142,904)	317,454
Furniture and fixtures	288,890	26,825	-	(104,961)	210,754
Land		-	235,150	-	235,150
Computers	674,861	23,032	-	(284,966)	412,927
Motor Bikes	210,536		-	(62,226)	148,310
Work In Progress	796,556	605,806	-	-	1,402,362
	<u>3,974,600</u>	<u>1,518,808</u>	<u>-</u>	<u>(777,630)</u>	<u>4,715,778</u>

20. Stated capital

(a) Authorised

Ordinary shares	49,875,000	49,875,000
Preference shares	125,000	125,000
	<u>50,000,000</u>	<u>50,000,000</u>

(b) Issued

	No. of shares		Stated Capital	Stated Capital
	2020	2019	3,921,189	3,921,189
Balance at 1 January	28,991,153	28,991,153	3,921,189	3,921,189
Additions Transfers	-	-	-	-
Preference shares	-	-	-	-
	<u>125,000</u>	125,000	<u>13</u>	13
	<u>29,116,153</u>	29,116,153	<u>3,921,202</u>	3,921,202

(c) There were no unpaid liabilities on any share and there were no calls or instalments unpaid.

(d) There are no treasury shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
21. Statutory Reserves		
Balance at 1 January	3,302,924	3,111,733
Transfer for the year (25% of profit)	610,700	191,191
Balance at 31 December	<u>3,913,624</u>	<u>3,302,924</u>
22. Deposit for shares		
This represents 383,823 (2019: 320,601) ordinary shares purchased by prospective shareholders amounting to GHS 120,723 (2019: GHS 96,180). These would be added to stated capital once the registration process is completed at the Registrar Generals Department.		
23. Retained Earnings		
Balance at 1 January	3,171,268	2,597,697
Profit for the year	2,442,801	764,762
Transfer to statutory reserve	(610,700)	(191,191)
	<u>5,003,369</u>	<u>3,171,268</u>
24. Deposits and current accounts		
Demand Deposits	17,727,009	13,402,755
Savings Deposits	34,426,054	21,738,441
Time/Fixed Deposits	26,932,955	20,517,876
Susu Deposits	9,656,018	5,539,963
	<u>88,742,036</u>	<u>61,199,035</u>
Analysis by type of depositors		
Individuals and other private enterprise	86,576,363	59,467,932
Public Enterprise	2,165,673	1,731,103
	<u>88,742,036</u>	<u>61,199,035</u>
Ten (10) Largest depositors to total deposit ratio	10 %	12 %
25. Borrowings		
ARB Apex Loan	1,250,000	2,750,000
GN Bank Loan	2,640,000	2,640,000
KFW ATM Loan (Apex Bank)	546,819	546,819
	<u>4,436,819</u>	<u>5,936,819</u>

The Bank intends to use the receipt of its investments in Gold Coast Fund Management (Note 15) to settle its loan obligations to GN Bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019		
26. Managed funds				
Rural Enterprise programme	1,408,569	817,134		
Social Investment fund	9,347	9,347		
Okyeman Endowment fund	4,160	4,160		
MOWAC loan	10,000	10,000		
Planting for Food and Jobs	163	163		
MASLOC loan	4,464	4,464		
	<u>1,436,703</u>	<u>845,268</u>		
27. Dividend				
Balance at 1 January	411,477	863,519		
Proposed for the year	-	-		
Payment during the year	(123,433)	(452,042)		
Balance at 31 December	<u>288,044</u>	<u>411,477</u>		
28. Current taxation liability				
	Balance at January	Paid during the year	Profit or Loss account	Balance at December
	GHS	GHS	GHS	GHS
2018	165,394	-	-	165,394
2019	(104,874)	-	-	(104,874)
2020	-	(824,545)	938,307	113,762
	<u>60,520</u>	<u>(824,545)</u>	<u>938,307</u>	<u>174,282</u>
29. Deferred taxation				
At 1 January			74,652	(189,769)
Charge for the year			3,249	264,421
At 31 December			<u>77,901</u>	<u>74,652</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
30. Interest payable and other liabilities		
Unearned interest on investments	1,425,567	1,112,349
Office account	1,679,791	425,002
Accrued interest	1,097,379	938,155
Loan Risk Fund	141,306	57,565
Ezwich holding	132,690	229,236
Other payables	720,523	482,568
	<u>5,197,256</u>	<u>3,244,875</u>

31. Contingent liabilities

No known contingent liabilities existed at 31 December 2020 that would have a material effect on the results of the financial statements as set out on pages 8 to 29 or the continued existence of the Bank as a going concern.

32. Event after the reporting period

No events occurred during the year 31 December 2020 and the date the Directors approved the financial statements that would have a material impact on the results as disclosed in the financial statements as set out on pages 8 to 29 or the continued existence of the Bank as a going concern.

33. Related party transactions

In the ordinary course of business, the Bank gives loans to Board of Directors and Staff. The total amount of outstanding balances of related parties during the year are as follows:

	GHS	GHS
Management staff	1,237,517	761,156
Other Staff	2,485,343	2,377,161
	<u>3,722,860</u>	<u>3,138,317</u>

The total remuneration of Directors and other members of key management staff including allowances during the year are as follows:

Directors	110,750	124,950
Key management staff	794,832	622,837
	<u>905,582</u>	<u>747,787</u>

34. Capital commitments

The Bank has commitments towards the completion of a Head office annex block and a staff quarters at Osino and New Abirem respectively. At 31 December 2020, total work done to date and held as capital work in progress amounted to GHS 2,396,811 (2019: GHS 1,402,362).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2020	Restated 2019
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35. Going Concern

The Directors believe that the Bank will be a going concern in the year ahead. For this reason we continue to adopt the going concern basis in preparing the annual financial statements.

36. Corporate Social Responsibilities

Amounts spent in fulfilling corporate social responsibilities for the year under review amounted to GHS 79,204 (2018: GHS 72,225)

The activities included donations towards the Independence Day celebrations at Osino, Educational Sponsorships, Osino Zonal Sports Association and Funeral Rites of some individuals in the Osino community.

37. Regulatory Disclosures

i) *Non-performing loans*

Percentage of gross non-performing loans (sub-standard to loss) to total credit advances portfolio (gross) was 4.27% (2019: 5.17%)

ii) *Amount of loans written off*

No loans were written off during the year (2019: GHS 2,011,869)

iii) *Breaches in statutory liquidity*

The Bank complied with all requirements with respect to statutory liquidity.

iv) *Liquidity Ratio*

The Bank's liquidity ratio at the end of 2020 was 38% (2019: 51%)

v) *Capital Adequacy Ratio*

The Bank's capital adequacy ratio at the end of 2020 was 14.24% (2019: 13.50%).

38. Minimum paid up capital

According to Section 28 of the Banks and Specialised deposit-Taking Institutions Act 2016 (Act 930), the Bank has met the minimum paid up capital of Rural Banks of GHS 1,000,000.

Computation of paid-up capital according to Section 28 (3) includes the following:

Ordinary share capital	3,921,202	3,921,202
Statutory reserve	3,913,624	3,302,924
Retained earnings	5,003,369	3,171,268
Deposit for shares	120,723	96,180
	<u>12,958,918</u>	<u>10,491,574</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Section 33 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) states that any Bank which fails to meet the minimum capital requirement is liable to pay to the Bank of Ghana a penalty of one-half per mille of the difference between the capital that the entity should have maintained and the level of capital actually maintained by the entity for each day that the default continues.

39. Approval of annual financial statements

These financial statements were approved by the Board of Directors and authorised for issue on

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VALUE ADDED STATEMENT

Figures in GHS	2020	2019
Interest earned and other operating income	22,792,627	20,340,835
Direct cost of service	(10,855,404)	(9,773,305)
Value added by banking services	11,937,223	10,567,530
Non-banking income	426,579	443,485
Impairments	(302,664)	(582,657)
Value added	12,061,138	10,428,358
Distributed as follows:		
To employees		
Directors (Without executives)	(110,750)	(124,950)
Other employees	(7,465,213)	(7,900,603)
Total	(7,575,963)	(8,025,553)
To Government		
Income tax expense	(941,556)	(860,413)
To expansion and growth		
Depreciation and amortization	(1,100,818)	(777,630)
Income surplus	2,442,801	764,762

SHAREHOLDERS INFORMATION

List of top 20 shareholders	%	Number of shares
RBF Ltd.	16.72	4,742,103
MRB SHARES	7.73	2,247,276
Doris Arkorful	4.89	1,421,748
K. Peasah Boadu	5.25	1,525,552
Prince Kofi Amoabeng	4.79	1,393,911
Mumuadu Com. Services	2.42	703,936
Okyere Agyekum Kofi	1.2	349,779
Dr.Seth Adu	1.18	343,829
Noah Ansa-Dakwa	1.09	315,753
Kwabena Baah Duodu	1.07	311,998
Osei Leticia	0.84	244,029
Ntow Kofi Ebenezer	0.74	215,036
Otu Boateng Samuel K.	0.67	195,260
Prof. Robert Addo Fening	0.65	188,447
I. A. Duodu	0.58	169,732
Samuel Ofosu Ampofo	0.47	136,725
Obese Emmanuel Osei	0.45	131,726
Seth Adom-Asomaning	0.43	124,664
Naa Odey Asante	0.44	127,104
D. O. Anim	0.42	123,743
Others	47.97	13,978,802
Grand Total	100	28,991,153

SHAREHOLDERS INFORMATION

Analysis of shareholding as at 31 December 2020

Category	No. of shareholders	Number of Shares	% Holding
1 - 50,000	2,531	10,478,205	36 %
50,001-100,000	60	6,478,422	22 %
100,001- 1,000,000	1	703,936	2 %
1,000,000 and over	5	11,330,590	39 %
	2597	28,991,153	100 %

Directors shareholding	% Holding	No of shares
Kwabena Baah Duodu	1.08	311,998
Otu Boateng Samuel K.	0.67	195,260
Seth Adom-Asomaning	0.43	124,664
J. Amofo Danquah	0.27	79,023
Nicholas Aniagyei Yeboah	0.18	51,396
Dr. K. Osei-Bonsu	0.14	39,581
Caroline Duncan-Amoah	0.13	36,751
Samuel Opoku Agyemang	0.08	23,845
	2.98	862,518



AGM Gallery



