DUMPONG RURAL BANK PLC

ANNUAL REPORTS

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2022

REPORTS AND FINANCIAL STATEMENTS

INDEX

CORPORATE INFORMATION

BOARD OF DIRECTORS:	Joseph Asumadu (Chairman) Lawyer Gabriel Odame Adufu (Vice Chairman) Alex Asare Vida Marfo (Appointed 18/8/2022) Enock Richard Arkaifie (Appointed 20/12/2022) Stephen Boateng Mensah (Appointed 20/12/2022)
SECRETARY:	Richard Osei P.O. Box 23 Asakraka Kwahu Eastern Region
SENIOR MANAGEMENT:	Richard Osei (Chief Executive Officer) Frederick Darko (Manager, Operations) Samuel Nyarko (Manager, Internal Audit) Thomas Osei (Manager, Risk/Compliance & AML) Ernest Yeboah (Manager, Accounts) Benson Sarpong (Manager, Credits) Francis Richer Torgbo (Manager, Marketing) Reuben Indome (Manager, Human Resource) Xavier Francis Atunika (Manager, ICT)
REGISTERED OFFICE:	Bank Premises Asakraka-Kwahu Eastern Region Ghana.
AUDITORS:	Jacob Arthur Accounting Services Chartered Accountants BCB Legacy House #1Nii Amugi Avenue East Adabraka, Accra
BANKERS:	ARB Apex Bank Limited

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
DUMPONG RURAL BANK PLC

We, the Directors of Dumpong Rural Bank PLC have pleasure in submitting our Annual Report together with the Audited Financial Statements for the year ended 31st December 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITY

Under the appropriate legislation including the Companies Act 2019 (Act 992), the Banks and Specialised Deposit – Taking Institutions Act, 2016 (Act 930) and the respective regulations and directives made thereunder, we the directors of the Bank acknowledge our responsibility 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 other comprehensive income and cash flows for that period in accordance with the International Financial Reporting Standards (IFRS), and the relevant set of legislation.

In preparing these Financial Statements, we are required to keep proper books of accounts which disclose with reasonable accuracy at any time the financial position of the Bank, select suitable accounting policies and apply them consistently, make judgments and estimates that are reasonable and prudent.

As Directors, we are also responsible for such internal control as we determine is necessary for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularity.

The Bank of Ghana has issued a directive on Corporate Governance which requires compliance by all regulated financial institutions (RFI). Our report on this can be found on pages 6 to 8 of this report.

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 Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and incorporate disclosures in line with the accounting philosophy of the Bank. The financial performance and position of the Bank are depicted in the attached Financial Statements on pages 14 to 51 and summarized below with comparative figures.

	2022	**2021**
	GH¢	**GH¢**
Profit before tax for the year	551,769	107,139
From which is deducted a tax charge of	(372,082)	(236,850)
Resulting in a Profit/(Loss) after tax of	179,686	**(129,711)**
To which must be added the balance brought forward on the Retained Earnings Account at the beginning of the year	(2,104,080)	(1,615,600)
Leaving a balance before statutory and other transfers of	**(1,924,394)**	**(1,745,311)**
From/to which the following transfers were made:		
• Transfer to Statutory Reserve in accordance with Section 34 of the Banking Act 2016 (Act 930)	(44,922)	-
• Transfer from/to Credit Risk Reserve	286,612	(358,769)
Leaving a balance on the Retained Earnings Account to be Carried Forward of	**(1,682,703)**	**(2,104,080)**

REPORT OF THE DIRECTORS CONT'D

	2022 GH¢	2021 GH¢
Financial Position		
Total Assets	34,670,112	26,121,720
Total Liabilities	(34,203,857)	(25,841,781)
Total Equity	**466,255**	**279,939**

The directors cannot recommend the payment of any dividend for the year **(2021**: Nil**).**

APPOINTMENTS, RESIGNATION, RETIREMENT AND RE-ELECTION OF BOARD MEMBERS

During the year, the bank made three (3) new appointments to the board, and this was subject to approval by the Bank of Ghana. This brought the number of directors to six (6). In the previous year the then existing directors (3 in number) retired by rotation in accordance with Section 325 of the Companies Act, 2019 (Act 992) and the Regulations of the Bank and being eligible, offered themselves for re-election, subject to approval by the Bank of Ghana.

The next round of rotation will consequently fall in the 2023 financial year.

CAPACITY BUILDING OF DIRECTORS TO DISCHARGE THEIR DUTIES

On appointment to the Board, Directors are provided with full, formal, and tailored programmes of induction, to enable them gain in-depth knowledge about the Bank's business, the risks and challenges faced, and to appreciate the economic knowledge and the legal and regulatory environment in which the Bank operates.

Further, the bank and its directors are beneficiaries of regular training programmes provided by both the ARB Apex Bank Plc and the Bank of Ghana which are geared towards broader and deeper knowledge of the conditions and terrain of the banking sector in Ghana.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has a balance of GH¢ 40,267 on its Social Responsibility Fund to assist selected communities within which the agencies of the Bank are located. The areas of emphasis include health, agriculture, and education.

CONFLICT OF INTEREST AND ETHICS

In accordance with its governance structure, the Bank has established appropriate procedures to address actual or potential conflict on account of any director or senior management and these are regularly reviewed for compliance. Any identified conflict which has been taken through the full process of the bank is recorded in a special conflict of interest register for purposes of disclosure. During the year, no such conflicts arose, and no such authorization was sought.

AUDITORS AND FEES

The Auditors, Messrs Jacob Arthur Accounting Services have indicated their willingness to continue in office as the Auditors of the Bank in accordance with section 139(5) of the Companies Act, 2019 (Act 992). We therefore recommend their continued appointment.

The remuneration paid or payable to the Auditors at the reporting date was GH¢45,000 (**2021**:GH¢30,000).

REPORT OF THE DIRECTORS CONT'D

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 bank, and nothing has come to our attention through that evaluative exercise that leads us to conclude that the company is not a going concern.

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 14-51 of this report have been prepared from records, information and representations made by us, the Directors of Dumpong Rural Bank PLC.

So far as we are aware, there is no relevant audit information (i.e. information needed by the Bank's auditors in connection with their work and report) of which the Bank's auditors are unaware and each director has taken reasonable steps that ought to be taken by a director in order to make him/her self-aware of any relevant audit information and to establish that the Bank'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, 2022 and the Statement of Financial Position at that date together with the notes thereon this **25th day of April 2023**.

……………………………)
)
) **DIRECTORS**
…………….…………...)

Kwahu Asakraka

April 25, 2023

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

Dumping Rural Bank PLC is a Regulated Financial Institution (RFI) under the aegis of the Bank of Ghana. Among other issues, the set of regulations bearing on the operations of the Bank flows from the Companies Act 2019 (Act 992), the Specialised Deposit-Taking Institution Act 2016 (Act 930), and the respective regulations made thereunder.

This statement on corporate governance disclosures is responsive to the corporate governance directive of the Bank of Ghana for Rural and Community Banks (RCBs) which became effective on 31st March 2022 and is issued pursuant to the compliance declaration.

BOARD OF DIRECTORS

The bank is managed by a board of directors. Under the licencing condition of the bank however, a desirable size of the board should be at least five (5) and at most seven (7) directors who are ordinarily resident in Ghana. The current membership of the board of Dumpong Rural Bank Plc is six (6) comprising the following persons:

Name	Age (Years)	Qualification/ Profession	Date Appointed
1. Joseph Asumadu	64	M.Sc. - Monitoring & Evaluation (Pensioner)	05/02/2021
2. Gabriel Odame Adufu	76	LLB. (GLCG) (Lawyer)	05/02/2021
3. Alex Asare	47	CA(GH) (Chartered Accountant)	05/02/2021
4. Vida Marfo	55	ACIB (Banker)	18/08/2022
5. Enoch Richard Arkaifie	64	MA B/A & Finance (Retired Banker)	20/12/2022
6. Stephen Boateng Mensah	55	ACCA, MPHIL-Finance CA(GH), CITG (Chartered Accountant)	20/12/2022

Board Responsibility

Under the appropriate legislation including the Companies Act 2019 (Act 992) as well as the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930), we the directors of the Bank acknowledge our responsibility 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 other comprehensive income and cash flows for that period in accordance with the International Financial Reporting Standards (IFRS), and the Banks and Specialised Deposit- Taking Institutions Act, 2016 (Act 930).

In preparing these Financial Statements, we are required to keep proper books of accounts which disclose with reasonable accuracy at any time the financial position of the Bank, select suitable accounting policies and apply them consistently, make judgments and estimates that are reasonable and prudent.

STATEMENT ON CORPORATE GOVERNANCE(CONT'D)

As Directors, we are also responsible for such internal control as we determine is necessary for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularity.

In respect of the above, the directors act independently, honestly and in good faith to the benefit of the bank and its shareholders. To do these, the board operates through a number of sub committees. The two committees which were operational in the year under review were:

a) The Credit Committee

This committee consist of three directors appointed from amongst the board. They are mandated to review all appraisals arising from applications for loans and overdrafts submitted to the credit department of the bank and make recommendations for their approval or otherwise.

The committee is also responsible for issues concerning the quality of the assets of the bank, exposure concentration, and assessing credit risks statistics such as credit/deposit ratio and non-performing loans ratio. Some specific issues handled by the Committee during the year include:

- Review of credit portfolio of the bank.
- Review of the ageing analysis of the loan portfolio of the bank.
- Approval of loans during the year under review
- Review of the bank's lending rate.
- Review of pending court cases.

b) Audit Risk & Compliance Committee

This committee also consists of three (3) directors and is responsible for issues pertaining to the financial standing of the bank, auditing, information communication technology, risk and compliance/AML &CFT and has oversight over the bank's internal and financial controls including administrative controls. During the year the following engaged the attention of the committee.

- Discussed and reviewed the budget for 2022.
- Discussed issues with respect to Anti Money Laundering and how the bank is positioned to comply with the AML directives.
- Reviewed the workplan, AML programme and AML policy, procedure, and controls.
- Reviewed the Internal Audit Plan and related reports for the year.
- Discussed IT related issues.
- Reviewed monthly management accounts.

BOARD MEETINGS

The Board holds scheduled meetings in closed sessions and the CEO makes presentations to the Board on material issues for the board's consideration. Directors are also provided with access to management and company information, as well as resources required to carry out their responsibilities. The Board holds an average of six (6) meetings every year, and its sub-committees hold a minimum of two (2) meetings every year. Meetings of the Board are held every two (2) months, and among other things, considers the various recommendations embodied in the reports from the sub committees.

STATEMENT ON CORPORATE GOVERNANCE(CONT'D)

Below is a schedule showing the meeting attendance of members during the year.

Name of Director	Board Meetings	Credit Committee Meetings	Audit, Risk & compliance Committee Meetings.
Mr. Joseph Asumadu	6 out of 6	N/A	N/A
Lawyer Gabriel Odame Adufu	6 out of 6	3 out of 3	3 out of 3
Mr. Alex Asare	4 out of 6	3 out of 3	3 out of 3
Mrs. Vida Marfo	2 out of 6	1 out of 3	N/A

The other two(2) directors appointed in December 2022 did not have an opportunity to attend any meeting during the year under review.

DIRECTORS SHAREHOLDING

The Directors named below held the following number of shares in the Bank as at 31st December 2022:

	No. of Shares	% of Issued Capital
Alex Asare	32,000	0.24
Lawyer Gabriel Adufu	26,000	0.20
Enoch Richard Arkaifie	7,495	0.06
Vida Marfo	4,000	0.03
Joseph Asumadu	2,000	0.02
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	51,495	**0.55**
	=====	====

TRAINING, DEVELOPMENT & CERTIFICATION

The bank ensures that each director undergoes appropriate training relevant to the charge as a director of the bank. Specific areas of emphasis include corporate governance, strategic planning, financial literacy, and cyber security.

During the year the directors benefitted from training programmes at the National Banking college and were awarded certificates to that effect.

CONFLICT OF INTEREST AND ETHICS

In compliance with company law and practice, the directors, as agents of shareholders, are held in fiduciary relationship and are expected to act in absolute good faith with clarity of conscience and mind in the supreme interest of the bank and its shareholders.

In this regard all issues are fully discussed and debated by the board freely without any let or hinderance, and the ultimate resolution thereof are that which inure to the benefit of the bank and its shareholders. All such decisions are taken effectively and independently and are recorded by way of minutes.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DUMPONG RURAL BANK PLC

Opinion

We have audited the Financial Statements of **Dumpong Rural Bank PLC** which comprise the statement of financial position as at 31st December 2022, 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 14 to 51.

In our opinion, these Financia1 Statements give a true and fair view of the financial position of Dumpong Rural Bank PLC at 31st December 2022, 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 Specialized 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 auditor's 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.

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.

1.0 Impairment allowances (Note 13)

Impairment allowances represent management's best estimate of expected credit loss ('ECL') within each portfolio at the reporting date. The identification and the determination of allowances is inherently judgmental. During the year impairment allowances increased from GH¢428,417 as at 31st December 2021 to GH¢1,045,665 as at 31st December 2022. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus is the Bank's implementation of IFRS 9:

- Significant Increase in Credit Risk ('SICR') –the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded.
- Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied.
- ECL estimations – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD').

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF DUMPONG RURAL BANK PLC (CONTINUED)

The PD models used are the key drivers of the Bank's ECL results and are therefore the most significant judgmental aspect of the Bank's ECL modelling approach.

- Disclosure quality - the disclosures regarding the Bank's credit risks are key to understanding the key judgements and material inputs to the IFRS 9 ECL results. Given the high degree of estimation uncertainty and significance of the balance, we considered impairment allowances on loans and advances to customers to be a key audit matter.

How the matter was addressed in our audit

Based on our risk assessment and industry knowledge, we have examined the impairment allowance on loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

Our procedures included:

- Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers.
- Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding management's monitoring of loan performance.
- Using financial risk model to independently assess and substantively validate the impairment models by reperforming calculations and agreeing data inputs to source documentation.
- Assessing whether key data inputs used in the ECL calculation are complete and accurate through testing relevant data fields and their aggregate amounts against data in the source system.
- Assessing the ongoing effectiveness of the SICR criteria through loan file reviews and independently determining the staging of the Bank's loans and advances portfolio.
- Testing key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD, LGD and EAD assumptions applied.

2.0 Revenue recognition
(GH¢6,195,104)
Refer to Note 4 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 quality of the underlying financial asset.

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 Bank's disclosures in respect of revenue.

3.0 Existence and Valuation of Loans and Advances
(GH¢11,641,010)
Refer to Note 13 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.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF DUMPONG RURAL BANK PLC(CONTINUED)**

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 excerpted), and measured subsequently at amortized cost using the effective interest method. Where any impairment arises, the estimated impairment loss is fully provided for and recognized in the profit or 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 Bank's disclosures in respect of those loans and advances.

4.0 Existence and Valuation of Money Market Investments (GH¢10,572,183)
Refer to Note 11 to the Financial Statements.

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

How the matter was addressed in our audit

For Government Bonds and 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 Bank and tested the valuation of quoted investments to the market.

The government of Ghana, having successfully concluded a Domestic Debt Exchange Programme, under which existing government bonds were exchanged for new bonds, the audit anticipated that a fair value measurement would be in issue. We therefore calculated the expected cash flow from the new bonds which took effect from 21st February 2023 and using the treasury bill rate of 18% p.a, discounted the bonds to their present fair values and compared to the coupon values of the new bonds which has been issued to the bank.

We also considered the adequacy of the Bank'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 Specialized Deposit – Taking Institutions Act 2016, (Act 930).

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF DUMPONG RURAL BANK PLC (CONTINUED)**

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 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 the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank'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:

- 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.
- 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF DUMPONG RURAL BANK PLC (CONTINUED)

Emphasis of Matter

Without forming the basis of any qualification in our audit report, we highlight the following two issues.

(i) The provisions made by the Bank for corporate taxes are subject to the agreement of the Ghana Revenue Authority.
(ii) The Going Concern presumption of the bank is dependent upon its ability to generate sufficient operational revenues to underwrite its operational expenditures.

Report on Other Legal and Regulatory Requirements

(a) Under Schedule Seven (7) of 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:

1. 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.
2. In our opinion proper books of accounts have been kept by the Bank, as far as appears from our examination of those books.
3. The Bank's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.
4. As earlier said in the opinion paragraph, to the best of our knowledge and belief, the financial statements present in all material respect the required information in the manner prescribed by the Companies Act 2019 (Act 992); and
5. In form and substance, we are independent of the Company in accordance with section 143 of the Act and also in accordance with the Code of Ethics for Professional Accountants.

(b) Section 85(2) of the Banks and Specialized 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) Except for Section 29 dealing with Capital Adequacy, as well as matters related to the maintenance of adequate liquidity and primary reserves, the bank has complied in all material respects with the provisions of the Banks and Specialized Deposit – Taking Institutions Act 2016 (Act 930).

(c) The Bank of Ghana has issued a set of corporate governance directives which became effective on 31st March 2022. Among other things, this required the board to give a declaration in the annual report and audited financial statements as to the compliance or otherwise of bank to this directive. The required declaration is embodied in the directors' statement on corporate governance which can be found on pages 6 to 8 of this report. Our review was facilitated by a set of questionaires bearing on each specific area of the corporate governance directives.

This is the first year in which such a report or disclosure has been made by the directors and our review indicates that there are several areas where improvements can be made. These include succession planning, remuneration policies, board evaluation, and related party transactions.

The Engagement Partner on the audit resulting in this independent audit report is **Jacob S. Arthur (ICAG/P/1266).**

Jacob Arthur Accounting Services
(ICAG/F/266) Chartered Accountants
BCB Legacy House
#1 Nii Amugi Avenue
East Adabraka, Accra Ghana.

April 25, 2023

STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2022

	NOTES	2022 GH¢	2021 GH¢
ASSETS			
Cash and Bank Balances	10	9,363,943	2,356,248
Money Market Investments	11	10,572,183	10,318,192
Apex Bank Deposit Reserve	12	1,362,720	1,242,254
Loans and Advances to Customers	13	11,641,010	10,525,602
Equity Investments	14	141,673	141,673
Taxation	18(iii)	-	74,058
Deferred Tax Assets	18(ii)	123,633	25,424
Other Assets	16	316,981	390,302
Intangible Assets	23	86,638	99,472
Right-Of-Use-Assets	15	123,525	85,283
Property and Equipment	21	937,806	863,212
TOTAL ASSETS		**34,670,112**	**26,121,720**
LIABILITIES & SHAREHOLDERS' FUNDS			
Liabilities			
Customer Deposits	17	29,488,741	24,635,719
Managed Funds	20	484,849	511,650
Taxation	18(iii)	8,560	-
Term Borrowings	22	3,781,127	75,547
Creditors and Accruals	19	440,581	618,865
Total Liabilities		**34,203,857**	**25,841,781**
Shareholders' Funds			
Stated Capital	26	1,064,666	1,058,036
Revaluation Reserves	25	17,608	17,608
Statutory Reserve Fund	24	570,034	525,112
Retained Earnings	27	(1,682,704)	(2,104,080)
Credit Risk Reserve	13(f)	496,651	783,263
Total Shareholders' Funds		**466,255**	**279,939**
TOTAL LIABILITIES &SHAREHOLDERS' FUNDS		**34,670,112**	**26,121,720**
Net Asset per Share (GH¢ per Share)		**0.43**	**0.02**

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

Kwahu Asakraka

April 22, 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2022

	Notes	2022 GH¢	2021 GH¢
Interest Income	4	6,168,471	5,449,059
Interest Expenses	5	(709,541)	(682,336)
Net Interest Income		**5,458,930**	**4,766,723**
Commissions and Fees	6	788,298	783,870
Other Operating Income	7	206,262	136,621
Total Operating Income		**6,453,490**	**5,687,214**
Charge for Credit Losses	13d	(1,009,658)	(532,175)
Other Operating Costs	8	(4,892,064)	(5,047,900)
Profit before Taxation		**551,768**	**107,139**
Taxation	18(i)	(372,082)	(236,850)
Comprehensive Income for the year		**179,686**	**(129,711)**
Other Comprehensive Income			
Recycled from Reserves		-	-
Dormant Accounts reclassified		-	-
Total Comprehensive Profit/(Loss) for the year		**179,686**	**(129,711)**
Transferred as follows;			
Retained Earnings		179,686	(129,711)
Reserves		-	-
		179,686	**(129,711)**

<u>Earnings per Share (EPS)</u>

Basic and Diluted Earnings per Share (GH¢ per share)	**0.01**	**(0.10)**

Also referred to in the context of the Companies Act of Ghana 2019 (Act 992) as the Profit and Loss Account.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2022

		2022	2021
	GH¢	**GH¢**	**GH¢**
Operating Activities			
Profit before Tax		551,769	107,139
Add/(Less)			
Depreciation	294,454		330,351
Amortization	12,835		12,835
Provision for Credit Losses	1,009,658		532,175
	------------	1,316,947	875361
		----------	----------
Cash Inflow before Changes in Operating Assets and Liabilities		**1,868,716**	**982,500**
Change In:			
Loans and Advances	(2,125,066)		(2,033,968)
Other Assets	73,320		(90,712)
Creditors and Accruals	(36,690)		(180,799)
Customer Deposits	4,713,426		3,234,606
	------------	**2,622,989**	**927,127**
		------------	------------
Cash flow from Operating Activities		**4,491,705**	**1,911,627**
Tax Paid		(387,673)	(75,000)
		------------	------------
		4,104,032	**1,836,627**
Investing Activities			
Purchase of Property and Equipment	(369,049)		(123,502)
Change in Money Market Investment	(3,351,315)		(6,724,379)
Change in Right-Of-Use-Assets	(38,242)		(6,800)
	--------	-----------	--------
		(3,758,606)	**(6,854,681)**
Financing:			
Proceeds from Issue of Shares	6,630		7,128
Addition to Borrowed Funds	4,114,459		-
Net Addition/(Reduction) in Managed Funds	(26,801)		(680,430)
Repayment of Borrowed Funds	(408,879)		(365,436)
	------------	-------------	-------------
		3,685,409	**(1,038,738)**
		------------	------------
Net Increase / (Decrease) in Cash and Cash Equivalents		**4,030,835**	(6,056,792)
Cash and Cash Equivalents at January 1		7,192,316	13,249,108
		-------------	-------------
Cash and Cash Equivalents at December 31		**11,223,152**	**7,192,316**
		========	========

Analysis of Cash and Cash Equivalents as shown in the Balance Sheet

Cash and Bank Balances	9,363,943	2,356,248
91-Day Treasury Bills	496,489	3,593,813
ARB Apex Deposit Reserve	1,362,720	1,242,254
	-------------	-------------
	11,223,152	**7,192,316**
	========	========

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2022

	Stated Capital GH¢	Statutory Reserve Fund GH¢	Revaluation Reserve GH¢	Credit Risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
2022						
Balance at 1st January	1,058,036	525,112	17,608	783,263	(2,104,080)	279,939
Issue of Shares for Cash	6,630	-	-	-	-	6,630
Net Loss for the Year	-	-	-	-	179,686	179,686
Transfer to Statutory Reserves	-	44,922	-	-	(44,922)	-
Credit Risk Reserve	-	-	-	(286,612)	286,612	-
Balance at 31st December	**1,064,666**	**570,034**	**17,608**	**496,651**	**(1,682,704)**	**466,255**

	Stated Capital GH¢	Statutory Reserve Fund GH¢	Revaluation Reserve GH¢	Credit Risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
2021						
Balance at 1st January	1,050,908	525,112	17,608	424,494	(1,615,600)	405,522
Issue of Shares for Cash	7,128	-	-	-	-	-
Net Profit for the Year	-	-	-	-	(129,711)	(129,711)
Transfer to Statutory Reserves	-	-	-	-	-	-
Credit Risk Reserve	-	-	-	358,769	(358,769)	-
Balance at 31st December	**1,058,036**	**525,112**	**17,608**	**783,263**	**(1,615,600)**	**279,939**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

1. THE REPORTING ENTITY

1.1 The Company

The Dumpong Rural Bank PLC 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 eastern region - Ghana. The registered office is at Kwahu Asakraka in the Eastern Region of Ghana.

The audited Financial Statements were authorized for issue by the Board of Directors on **25th day of April 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the bank for the year ended 31st December 2022 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 also 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.

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.

<u>Interest Income</u>

The effective interest method is used as basis to recognize interest income in the profit or 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.

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 cash flows, 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.

<u>Commissions and Fees</u>

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

<u>Other Operating Income</u>

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

2.4.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and deposit from customers, banks and other financial institutions are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises deposit from customers, banks and other financial institutions when funds are transferred to the Bank.

2.4.2 Initial measurement of financial instruments

Financial asset or liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2.4.3 Classification and Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized Cost.
- Fair Value through Other Comprehensive Income (FVOCI).
- Fair Value through Profit or Loss (FVTPL).

The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 2.4.8. Financial liabilities are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in note 2.4.8.

2.4.4 Loans and advances to customers, financial investments at amortized cost

The Bank only measures loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below:

(a) Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and; in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.4.5 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.4.6 Equity instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably its equity investments as equity instruments at FVOCI and are not held for trading. 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. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

2.4.7 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.4.8 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis or;
- The liabilities and assets have their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or;
- The liabilities and assets contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the fair value reserve through OCI and do not get recycled to the profit or loss. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using EIR.

2.5 Derecognition of financial assets and liabilities

2.5.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.5.2 Derecognition other than for substantial modification

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see write-off policy - 2.9). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

(b) Financial liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.

(c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

2.6 Impairment of financial assets

2.6.1 Overview of the ECL principles

The Bank records the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the lifetime expected credit loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL) as outlined in note 2.6.2.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12m ECLs. Loans that have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired are also included in stage 1. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3 after a curing period of 6 months.

- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECLs.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset or the irrecoverable portion is written off.

2.6.2 The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios, a base case (central), optimistic case (upside) and a pessimistic case (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporate how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.
The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The mechanics of the ECL method are summarized below:

- Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the financial statement 12 months after the reporting date. The Bank calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12- month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR
- Stage 3: For loans considered credit-impaired the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2.6.3 Forward looking information

In the Bank's ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank policy rates
- Consumer price indices
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2.6.4 Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2.7 Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. Collateral valuations are performed at inception of the credit facility and revaluation of the collateral is performed every three years.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued by licensed professional property valuers.

2.8 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at their fair value. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

2.9 Write-off policy

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.
Recoveries of amounts previously written off are recognized when cash is received and are included in 'net impairment loss on financial assets' in profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

All credit facility write-offs shall require endorsement by the Board of Directors and the Central Bank.

2.10 *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 Dumpong Rural Bank PLC.

2.11 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.

2.12 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:

Leasehold Premises	10%
Office Equipment	25%
Furniture & Fittings& Equipment	20%
Motor Vehicle	331/3%
Building Renovations	20%
Computers	25%
Generators	20%
Police Booth	20%

2.13 Intangible assets

2.13.1 Computer Software

Software acquired by the Bank is measured at cost less accumulated amortization and accumulated impairment losses. 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 recognized in profit or loss 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 years.

2.14 Income Tax

Current Tax

In accordance with the tax concessions available to all Rural Banks in Ghana, the current income tax expense for the year is calculated at the rate of 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, a reconciliation is prepared to enable an easy identification of the effective tax rate for that period.

Temporary differences may also arise from the tax basis of assets and liabilities and their carrying amount in the Financial Statements. The concept of Deferred Income Tax may thus arise.

Deferred Tax

Deferred taxes are determined and provided for using the liability method on temporary differences that 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 recognized 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.

2.15 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.

2.16 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 Banking 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 12.50% to 50%.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Revaluation Reserves

The capital surplus account is a creation of law under sections 70 of the Companies Act 2019 (Act 992) and records gains or losses arising from the revaluation of assets of the company including its property, plant and equipment. The International Financial Reporting Standards (IFRS) require the evaluation at regular intervals of these property, plant and equipment. The bank has therefore adopted a policy to evaluate its assets at regular intervals.

(d) Retained Earnings

The Retained Earnings account is a creation of law under section 71 of the Companies Act 2019 (Act 992) and records the cumulative annual profits (after appropriations) available for distribution to shareholders.

(e) Building Fund Reserve

This is an amount transferred from profit after tax and set aside to fund the building projects of the bank.

(f) Credit Risk Reserve

Credit Risk Reserve is an appropriation from Retained Earnings as a cover for non-collateralized loans and advances granted to the customers of the bank. The bank review its loans and overdraft portfolios annually for all non-collateralized assets, make provision for it by transferring from Retained Earnings Account to cover its net exposure of loans and advances to an Account called Credit Risk Reserve. The current year balance is compared to the previous year balance and the difference adjusted through the Retained Earnings Account.

2.17 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.

2.18 Employment Benefit

The cost of all employee benefits is recognized 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.

(a) National Pension Scheme

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.

(b) Provident Fund

The Bank has a provident fund scheme for all employees who have completed their probation period with the Bank. Employees of the Bank contribute 5% of their basic salary to the fund whilst the Bank contributes 7.5%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Right of -Use -Assets

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The company consequently recognizes a right-of-use asset representing its right to use the underlying leased asset and where applicable a lease liability representing its obligation to make lease payments.

The company measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities and recognizes depreciation of the right-of-use asset and interest on the lease liability where applicable.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

The Bank presents Right-of-Use Assets as a line item on its own in the statement of financial position.

2.20 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for Capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

- Weighted average of the borrowing costs applicable to the Bank on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The Capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred,
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

2.21 Deposits and borrowings

Deposits and borrowings are the Bank's source of debt funding .This is mainly made up of customer deposit accounts and medium term borrowings. They are categorized as other financial liabilities measured in the statement of financial position at amortized cost.

2.22 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The Bank has no convertible notes and share options, which could potentially dilute its EPS and therefore the Bank's Basic and diluted EPS are essentially the same.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.0 IFRS 17 Insurance Contracts (and its related amendments)

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features. Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's Financial Statements.

The Bank is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements. The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted only if the entity applied IFRS 9.

This standard is not applicable to the Bank.

(NOTES)

		2022 GH¢	2021 GH¢
4.	**INTEREST INCOME**		
	Government Securities & Other Investments	1,703,461	1,178,166
	Loans and Advances	4,063,713	4,270,893
	Interest on Placement (ACOD)	427,930	-
		6,195,104	**5,449,059**
5.	**INTEREST EXPENSE**		
	Borrowings	40,840	35,767
	Savings & Fixed Deposit Accounts	668,701	646,569
		709,541	**682,336**
6.	**COMMISSIONS AND FEES**		
	Account Maintenance Fees	262,224	354,433
	Commitment Fees (**Note 32**)	526,074	429,437
		788,298	**783,870**

(NOTES CONTINUED)

7. OTHER OPERATING INCOME

	2022 GH¢	2021 GH¢
Interest on Clearing Account	8,064	4,826
Cheque Clearing Fees	9,783	5,726
Bad Debt Recovered	44,847	20,536
ATM Fees	5,133	8,732
SMS Charges	53,729	35,993
Income from Sale of Value Books etc.	84,706	60,808
	206,262	**136,621**

8. OTHER OPERATING COSTS

	2022 GH¢	2021 GH¢
Donation	15,586	52,667
Audit Fees	45,000	30,000
Other Professional Fees	-	18,288
Directors' Remuneration	-	15,250
Bandwidth Expense	241,761	212,113
Depreciation (**See note 21)**	294,454	330,350
General and Administrative Expenses	1,628,539	2,187,212
Staff Related Costs (**See note 9**)	2,666,723	2,202,020
	4,892,064	**5,047,900**

9. STAFF RELATED COSTS

	2022 GH¢	2021 GH¢
Staff Medical Cost	5,409	7,155
Staff Training & Development	30,809	35,072
Severance & Retirement Benefits	52,331	29,000
Staff Clothing Allowance	118,181	109,603
Staff Provident Fund	147,649	169,321
Staff Social Security Costs	174,494	140,031
Staff Bonus	215,903	-
Staff Remuneration	1,921,947	1,711,838
	2,666,723	**2,202,020**

The average staff strength was 90 (2021: 71). The associated costs in the increase of staff strength, and payment of staff bonus were largely the result of the increase in staff cost.

(NOTES CONTINUED)

10. CASH AND BANK BALANCES

		2022 GH¢	2021 GH¢
(i)	**Cash & Bank Balances**		
	Apex Bank Clearing Account	7,755,995	825,445
	Cash Holdings	1,607,948	1,531,803
		9,363,943	**2,356,248**

11. MONEY MARKET INVESTMENTS

		2022 GH¢	2021 GH¢
(i)	**Treasury Bills Redeemable within 91 days**		
	At Redemption Value	500,000	3,650,000
	Unearned discount at reporting dates	(3,511)	(56,187)
	At Amortized Cost	**496,489**	**3,5,93,813**
(ii)	**Treasury Bills Redeemable within 182 days**		
	At Redemption Value	1,150,000	150,000
	Unearned discount at reporting dates	(85,934)	(9,067)
	At Amortized Cost	**1,064,066**	**140,933**
(iii)	Amalgamated **Fund Plc**		
	Balance at 1st January	971,429	971,429
	Interest Accrued for the year	-	-
	Balance at 31st December	**971,429**	**971,429**
(iv)	**GOVERNMENT BONDS**		
	2-Year Government Bonds		
	At Cost	7,750,000	5,500,00
	Accrued Interest	290,199	112,017
	At Amortized Cost	**8,040,199**	**5,612,017**
	TOTAL (i-iv)	**10,572,183**	**10,318,192**

(NOTES CONTINUED)

The government of Ghana has successfully concluded a Domestic Debt Exchange Programme, under which existing government bonds were exchanged for new bonds. Arising from this the bank was affected in the following manner:

	2022 GH¢	2021 GH¢
Amortized Cost of Bonds at Reporting date	8,040,199	5,612,017
Add capitalized interest from DDEP structure	186,195	-
	8,226,394	5,612,017
Less Estimated fair value impairment	(2,901,602)	-
Total	**5,324,792**	**5,615,017**

Consequently, the bank has shifted its policy on the valuation of bonds from amortised cost to fair value. The new bonds take effect from 21st February 2023, and the fair value of the new bonds at that date, using the treasury bill discount factor gives a total value of GHc 5,324,792. The fair value loss arising is estimated at GHc 2,901,602. The Directors consider that this estimated loss is not an adjustable issue.

12. APEX BANK DEPOSIT RESERVE

	2022	2021
Balance at 1st January	1,242,254	982,435
Net Investments during the year	120,466	259,819
Balance at 31st December	**1,362,720**	**1,242,254**

13. LOANS AND ADVANCES

(a) Analyzed by Type of Facility

	2022	2021
Overdraft	126,074	266,323
Managed Fund Advances	1,936,863	1,570,887
Loans	10,908,134	9,418,302
	12,971,071	**11,250,512**
Less Provision for Credit Losses	(1,045,665)	(428,417)
Unearned Income on Commitment Fees **(See Note 31)**	(284,396)	(296,493)
	11,641,010	**10,525,602**

Relevant Statistics

		2022	2021
(i)	Credit loss provision ratio for the year	7.78%	4.73%
(ii)	Cumulative year end credit loss provision ratio	8.06%	7.00%
(iii)	Percentage of Staff Loans	9.86%	8.40%
(iv)	Non-Performing Loans & Advances Ratio	6.37%	5.27%
(v)	Total Non-Performing Loans & Advances	GH¢825,813	GH¢593,095

(NOTES CONTINUED)

The above constitute loans and advances to customers and staff. The maximum amount due from officers of the bank during the year amounted to GH¢1,282,225 (2021: GH¢945,183). The above impairment statistics is based on the Bank of Ghana (BoG) guidelines for computation of credit losses. Refer to 13 (e).

(b) Analyzed by Type of Customer

	2022 GH¢	2021 GH¢
Managed Fund Loan	1,936,863	1,570,887
Other Private Enterprises	522,116	1,464,847
Staff	1,282,225	945,184
Individuals	8,572,200	7,269,594
Public	657,667	
	12,971,071	**11,250,512**
Less: Provision for Credit Losses	(1,045,665)	(428,417)
Unearned Income on Commitment Fees **(See Note 31)**	(284,396)	(296,493)
	11,641,010	**10.525,602**

(c) Analyzed by Business Segment

	2022 GH¢	2021 GH¢
Managed Fund Loans	1,936,863	1,570,887
Cottage Industry	284,314	360,581
Agriculture	1,204,799	989,176
Transport	403,720	758,173
Commerce	2,541,103	1,907,705
Miscellaneous	6,600,272	5,663,990
	12,971,071	**11,250,512**
Less: Provision for Credit Losses	(1,045,665)	(428,417)
Unearned Income on Commitment Fees **(See Note 31)**	(284,396)	(296,493)
	11,641,010	**10,525,602**

(d) Movement in the Expected Credit Losses (ECL) per IFRS 9 Model

	2022 GH¢	2021 GH¢
Balance on the Provision at 1st January	428,417	539,538
Movement in Provision for the year	1,009,658	532,175
	1,438,075	**1,071,713**
Less; Specific Bad Debt	(392,410)	(643,296)
Balance on the Provision at 31st December	**1,045,665**	**428,417**

The above provision for credit losses (Expected Credit Losses) is done using IFRS 9 Expected Credit Loss (ECL) model. Impairment of loans is recognized – on an individual or collective basis – in three stages under IFRS 9 as follows:

(NOTES CONTINUED)

	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
		2022		2021
Total Gross Loans	10,752,033	214,207	2,004,831	12,971,071
Expected Credit Losses (ECL)	(112,802)	(28,358)	(904,505)	(1,045,665)
	10,639,231	**185,849**	**1,100,326**	**11,925,406**

(e) Expected Credit Losses (ECL) per BoG Guidelines

Percent Category	**Provision**	**2022 GH¢**	**2021 GH¢**
Current	1%	119,478	100,986
Other Loans Especially Mentioned (OLEM)	10%	7,136	38,968
Substandard	25%	30,958	30,435
Doubtful	50%	100,500	23,702
Loss	100%	500,981	593,095
		759,053	**787,186**

Rural and Community Banks (RCBs) are also required by the Bank of Ghana (BoG) to compute expected credit losses using the BoG guidelines. Where possible, this involves the individual assessment of loans and advances outstanding having regard to factors that may impair or impede the ability of loan holder to retire the loans on time. The general outcome of the assessment and review processes leading to the impairment provision at the reporting date is as stated above.

(f) Movement in the Credit Risk Reserve

	2022	2021
Balance at 1st January	783,263	424,494
Transfer to/from Retained Earnings	(286,612)	358,769
Balance at 31st December	**496,651**	**783,263**

Credit Risk Reserve is an appropriation from Retained Earnings as the difference between the IFRS 9 ECL Model and BoG Guidelines for Expected Credit Losses. The balance at the current reporting date is compared to the balance at the previous reporting date and the difference adjusted through the Retained Earnings Account.

14. EQUITY INVESTMENTS

	SHARES	**UNIT VALUE**	**2022 GH¢**	**2021 GH¢**
At Cost	44,590	0.04	1,900	1,900
Revaluation Surplus	-	-	42,690	42,690
	44,590	1.00	44,590	44,590
Rights Issue	66,885	1.23	82,269	82,269
Bonus Share	12,044	1.23	14,814	14,814
	123,519	**1.15**	**141,673**	**141,673**

(NOTES CONTINUED)

15. RIGHT-OF-USE-ASSETS

	2022 GH¢	2021 GH¢
Cost:		
Balance B/Fwd	122,800	103,000
Addition for the year	84,056	19,800
Balance C/Fwd	**206,856**	**122,800**
Accumulated Amortization		
Balance B/Fwd	37,517	24,517
Charge for the year	45,814	13,000
Balance C/Fwd	**83,331**	**37,517**
Net Book Value	**123,525**	**85,283**

Effective 1st January 2019, IFRS 16 has replaced the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees, which has the effect of placing almost all leases on the face of the Statement of Financial position.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The bank consequently recognizes a right-of-use-asset representing its right to use the underlying leased asset and where applicable a lease liability representing its obligation to make lease payments.

16. OTHER ASSETS

	2022	2021
Office Account	70	3,644
Insurance Prepaid	82,617	76,073
Stationery Stock	96,106	55,569
Interest and Commission Accrued	28,938	26,437
Rent Prepaid	-	8,988
Interest in Arrears	95,450	126,036
Premium/Discount on Bonds	-	93,556
Unassigned Loans	13,800	-
	316,981	**390,303**

17. CUSTOMER DEPOSITS

(a) Analyzed by Type of Account

	2022	2021
Susu Saving Account	6,003,059	4,534,896
Time Deposits	4,968,906	5,036,382
Current Account	9,626,806	6,542,039
Savings Account	8,762,848	8,522,402
Add: Accrued Interest Payable	127,122	139,596
	29,488,741	**24,775,315**

(NOTES CONTINUED)

	2022 GH¢	2021 GH¢
(a) Analyzed by Type of Customer		
Private Enterprises	2,480,407	2,480,407
Individuals	22,155,311	22,155,311
Add: Accrued Interest Payable	127,122	139,596
	24,635,718	**24,635,718**

18. TAXATION

	2022 GH¢	2021 GH¢	2020 GH¢
(i) Tax Expense			
Current Tax (see note 16 V)	470,291	84,692	-
Deferred Tax (see note 16 ii)	(98,209)	152,158	118,954
Total to Profit or Loss	**372,082**	**236,850**	**118,954**
(ii) Deferred Tax Account			
Balance at January 1	(25,424)	(177,582)	(296,536)
Released during the year	(98,209)	152,158	118,954
Balance at December 31	**(123,633)**	**(25,424)**	**(177,582)**

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.

Explained by:

	2022	2021	2020
Property & Equipment	127,111	71,007	121,410
Loans & Advances	(261,416)	(107,104)	(134,885)
Unrelieved Losses	-	-	(174,780)
Unquoted Equity	10,673	10,673	10,673
	(123,633)	**(25,424)**	**(177,582)**

	Balance At 1/1/22 GH¢	Payment/ Credit during the Year GH¢	Tax Audit Adjust. GH¢	Charged To P & L GH¢	Balance at 31/12/22 GH¢
(iii) Corporate Tax 2022					
2016-2018	(68,750)	-	-	-	(68,750)
2019	-	-	-	-	-
2020	(15,000)	-	-	-	(15,000)
2021	9,692	-	-	-	9,692
2022	-	(250,000)	-	470,291	220,291
Total	**(74,058)**	**(250,000)**	**-**	**470,291**	**146,233**

(NOTES CONTINUED)

Other Taxes					
Corporate Tax	-	(54,387)	-	-	(54,387)
WHT	-	(83,286)	-	-	(83,286)
	-	**(137,673)**	**-**	**-**	**137,673**
TOTAL	**(74,058)**	**(387,673)**	**-**	**470,291**	**8,560**

a) Corporate Income Tax is charged at 25% (**2021:** 25%) of Taxable Profits. All tax liabilities are subject to the agreement of the Domestic Tax Revenue Division of the Ghana Revenue Authority. The Bank has reached agreement with the Tax Authorities up to the 2017 Year of Assessment through a final tax audit report dated 28th November 2018.

b) In a letter dated 27th June 2022, the GRA made a claim on the bank for the payment of the total amount of **GHc137,673**. This claim was based solely on a desk review of the Financial Statements of the bank for the years 2018 to 2021 by officials of the GRA. Management of the Bank has disputed the tax claim and has called for a full scope tax audit to confirm the level of compliance with the tax laws. Pending the receipt of the substantive tax audit report from the GRA, the bank was compelled to make the payment of the amount of **GHc137,673** against any tax liability or obligation that may be established or confirmed later in the future.

	Balance At 1/1/21	**Payment/ Credit during The Year**	**Tax Audit Adjust.**	**Charged To P & L**	**Balance at 31/12/21**
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
(iii) Corporate Tax 2021					
2016-2018	(68,750)	-	-	-	(68,750)
2019	-	-	-	-	-
2020	(15,000)	-	-	-	(15,000)
2021	-	(75,000)	-	84,692	9,692
TOTAL	(83,750)	(75,000)	-	-	(74,058)
Other Taxes					
2015 - 2017	-	-	-	-	-
	(83,750)	**(75,000)**	**-**	**84,692**	**(74,058)**

(v) Reconciliation of Effective Tax Rate

	2022 GH¢	**2021 GH¢**	**2020 GH¢**
Profit/(Loss) before Tax	**551,769**	**107,141**	**280,258**
Income tax thereon @ 25%	137,942	26,785	70,065
Tax on Non-deductible Expenses	369,805	269,419	156,820
Tax on Allowance Utilised	(37,455)	(211,512)	(226,884)
Current Tax Charge in Current P/L	**470,291**	**84,692**	**-**
Effective Tax Rate	**85.23%**	**79.05%**	**0.0%**

(NOTES CONTINUED)

19. CREDITORS AND ACCRUALS

	2022 GH¢	2021 GH¢
Provision for Corporate Social Responsibility	40,267	49,268
Provision for Police Guards Expenses	-	18,000
Payment Order	14,012	73,762
Provision for AGM	-	6,726
Ezwich Operations	783	3,574
Provision for Audit Fees	45,000	30,000
Staff Retirement Fund	-	57,965
T. 24 Software License Fees	-	37,436
Office Accounts	100,579	85,720
Interest Suspense	237,950	116,818
	440,581	**479,2695**

20. MANAGED FUND

	2022 GH¢	2021 GH¢
COVID 19 Relief (NBSSI)	200,449	201,450
Rural Enterprise Programme	284,400	310,200
	440,849	**511,650**

The bank has entered into various Management Agreements with Governmental and other Stakeholders for the General Management of funds. The above fund is primarily for on – lending to specific medium to long term projects. The related lending is disclosed under note 12 as managed fund loans.

(NOTES CONTINUED)

21. PROPERTY & EQUIPMENT

	Freehold Land & Building GH¢	Furniture, Fittings & Equipt. GH¢	Leasehold Building Renova. GH¢	Motor Vehicle GH¢	Computers GH¢	Gen Set. GH¢	Leasehold Land GH¢	Total GH¢
COST/VALUATION								
At 1/1/22	167,000	1,266,308	322,495	330,679	218,962	117,020	32,009	2,458,497
Additions	-	240,368	20,943	-	107,739	-	-	369,049
Written Off	-	(363,735)	-	(4,410)	(64,834)	(39420)	-	(472,399)
At 31/12/22	**167,000**	**1,142,940**	**343,438**	**326,269**	**265,891**	**77,600**	**32,009**	**2,355,147**
DEPRECIATION								
At 1/1/22	99,623	704,352	211,493	318,820	157,647	86,036	17,314	1,595,285
Charge for the year	22,706	187,839	37,998	5,842	17,460	21,335	1,275	294,455
Witten Offs	-	(363,735)	-	(4,410)	(64,834)	(39,420)	-	(472,399)
At 31/12/22	**122,329**	**528,456**	**249,491**	**320,252**	**110,273**	**67,951**	**18,589**	**1,417,340**
NET BOOK VALUE								
At 31/12/22	**44,671**	**614,484**	**93,948**	**6,017**	**155,618**	**9,649**	**13,420**	**937,806**
At 31/12/21	**67,377**	**561,956**	**111,002**	**11,859**	**65,339**	**30,984**	**14,695**	**863,212**

Included in Land and Building was a revaluation of the bank's freehold land and building located at Kwahu Tafo from GH¢11,009 to GH¢80,500 by E. D. Quarshie Consult, a professional Valuer, on the basis of a forced sale value under existing use for the purposes of accounting. The said valuation was done in February 2008 and the results incorporated in the Financial Statements of the bank in the following year.

By a resolution of the bank at regular general meeting, the said building was disposed off in 2012 under a repurchase agreement by which the bank reserved the option at any time to buy back the building upon terms and conditions. The related revaluation surplus previously credited to share capital thus became realized for all practical purposes, and a tax consequence in the form of "reverse" depreciation allowance amounting to GH¢29,452 duly recognized in the Tax Year of Assessment 2012. The option to buy back was exercised by the Bank on 14th September 2013 at a price of GH¢160,000.

(NOTES CONTINUED)

21. PROPERTY & EQUIPMENT

	Freehold Land & Building GH¢	Furniture, Fittings & Equipt. GH¢	Leasehold Building Renova. GH¢	Motor Vehicle GH¢	Computers GH¢	Gen Set. GH¢	Leasehold Land GH¢	Total GH¢
COST/VALUATION								
At 1/1/21	167,000	1,158,230	322,495	319,279	218,962	117,020	32,009	2,334,995
Additions	-	108,078	-	11,400	4,024	-	-	123,502
Disposal	-	-	-	-	-	-	-	-
At 31/12/21	**167,000**	**1,266,308**	**322,495**	**330,679**	**222,986**	**117,020**	**32,009**	**2,458,497**
DEPRECIATION								
At 1/1/21	83,623	530,950	181,351	242,664	134,337	77,896	14,113	1,264,934
Charge for the year	16,000	173,402	30,142	76,156	23,310	8,140	3,201	330,351
Disposal	-	-	-	-	-	-	-	-
At 31/12/21	**99,623**	**704,352**	**211,493**	**318,820**	**157,647**	**86,036**	**17,314**	**1,595,285**
NET BOOK VALUE								
At 31/12/21	**67,377**	**561,956**	**111,002**	**11,859**	**65,339**	**30,984**	**14,695**	**863,212**
At 31/12/21	**83,378**	**627,280**	**141,143**	**76,615**	**84,625**	**39,124**	**17,896**	**1,070,061**

(NOTES CONTINUED)

22. TERM BORROWINGS

The movement in loans is as follows:

		BAL @ JAN 1	DRAWDOWN	REPAYMENTS	INTEREST	BAL @ DEC 31
1	**ARB BANK**					
	LOAN FOR OPERATIONS		555,555	(374,172)	40,840	222,223
	LOAN FOR NIA VERIFICATION MACH	-	104,584	-		104,584
		-	**660,139**	**(374,172)**	**40,840**	**326,807**
2	**GHIPSS**					
	LOAN TO ACQUIRE ATM MACH	**75,547**		**(75,547)**		-
3	**RURAL ENTERPRISES DEV'T FUND**					
	LOAN FOR 26 CLIENTS @ 9.5% INT RATE		438,400			438,400
	LOAN FOR 50 CLIENTS @ 14.5% INT RATE		819,200			819,200
	LOAN FOR 135 CLIENTS @ 14.5% INT RATE		584,000			584,000
	LOAN FOR 15 CLIENTS @ 14.5% INT RATE		674,320			674,320
	LOAN FOE 37 CLIENTS @ 17.5% INT RATE		938,400			938,400
			3,454,320			**3,454,320**
	TOTAL	**75,547**	**4,114,459**	**(449,719)**	**40,840**	**3,781,127**
		REPAYMENT WITHIN ONE YEAR				2,351,861
		REPAYMENT AFTER ONE YEAR				1,429,266
						3,781,127

(NOTES CONTINUED)

i) Loan for Operations

A principal amount of a loan facility of GH¢1,000,000 was obtained on 23rd September,2021 from the ARB Apex Bank, and wholly disbursed to a key customer of the bank. The facility is for 18-month tenure, at an interest rate of 19.50% and is payable on monthly instalment basis for both principal and interest. The bank initially made entries in the customer's account directly until July 1, 2022, when the outstanding balance of GHc **555,555** was transferred into the bank's loan account. The facility expires on 23rd April 2023.

ii) Loan for NIA Verification Machine

A principal amount of a loan facility of GH¢ 104,584.38 was obtained on 29th December,2022 from Apex Bank at an interest rate of 12% per annum to purchase an NIA Verification Machine. The facility is payable by equal instalment for both principal and interest over a tenure of seven years, ending 31st December 2029.

iii) Loan to Acquire ATM Machine

The principal amount of the loan facility of GH¢ 354,479 was obtained on 30th March 2019 from GHIPSS through the Bank of Ghana. The facility was for 48-month tenor and was used to acquire ATM Machine. The loan attracted an interest rate of 6% per annum which was capitalized. Total interest capitalized was GH¢45,196.06. The loan was fully repaid during the year.

iv) Loans from Rural Enterprise Fund

These are loans contracted between August and December 2022 by the bank for selected clients under the Rural Enterprise Development Programme. Each facility attracts a moratorium of six months and is to be repaid by 4 quarterly equal instalments plus any accrued interest. As at the reporting date a total amount of Ghc 1,717,800.00 had been disbursed out of the lot.

23. INTANGIBLE ASSETS

	2022 GH¢	**2021 GH¢**
At Cost		
At January 1st	128,351	128,351
Additions during the year	-	-
At 31st December	**128,351**	**128,351**
+		
Accumulated Amortisation		
At January 1st	28,879	16,044
Software Amortization for the year	12,835	12,835
At 31st December	**41,714**	**28,879**
Net Book Value	**86,637**	**99,472**

The term of use of the Temenos T.24 inclusive Banking Suit (IBS) was renegotiated at the expiry of the existing license in favour of an outright acquisition for the 10-year license at the shared cost of **GH¢128,351** effective October 2019. In accordance with directive from ARB Apex Bank and standard accounting practice, the cost of the license is being amortized over the ten (10) year period ended October 2029.

(NOTES CONTINUED)

24. STATUTORY RESERVE FUND

At January 1st	525,112	525,112
Transfer from Retained Earnings (**Note 25**)	44,922	-
At December 31st	**570,034**	**525,112**

The Statutory Reserve Fund is required under section 34 of the Banking 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%.

25. REVALUATION RESERVE

Balance at 1st January	17,608	17,608
Recycled to Profit and Loss	-	-
Balance at 31st December	**17,608**	**17,608**

26. STATED CAPITAL

	2022		**2021**	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
Authorized:				
	000'	**GH¢**	**000'**	**GH¢**
Preference Shares @31st December	500	-	500	-
Ordinary Shares @ 31st December	1,000,000	-	1,000,000	-
Issued:				
Cash Consideration				
At January 1	13,134	841,293	13,064	834,165
Additions	66	6,630	70	7,128
	13,200	**847,923**	**13,134**	**841,293**
Other than Cash				
Capitalization Issues	59	2,953	59	2,953
Transferred from Capital Surplus	-	113,790	-	113,790
Transferred from Income Surplus	-	100,000	-	100,000
At December 31	**13,259**	**1,064,666**	**13,193**	**1,058,036**

There is no unpaid liability on any shares. There are no calls or installments unpaid, and there are no treasury shares held. At a duly called Annual General Meeting of the Bank, it was resolved to increase the authorized ordinary shares of the bank from 9,500,000 to 1,000,000,000.

The directors updated the share register and recalibrated the per share price to GH¢0.10 with effect from 2014. All shares since then have been re-issued at GH¢0.10

(NOTES CONTINUED)

During the year 2014, the directors issued 1,000,000 shares in respect of the transfer of GH¢100,000 from the Income Surplus Account in 2013 to Stated Capital. This is distributable to the shareholders in the register at the end of December 2013.

Capital Adequacy	**2022**		**2021**	
	Required By BOG	**Actually Achieved**	**Required By BOG**	**Actually Achieved**
Capital Adequacy Ratio	10%	1.60%	10%	0.76%

27. RETAINED EARNINGS

	2022 GH¢	**2021 GH¢**
Balance at January 1st	(2,104,080)	(1,615,600)
Profit/(Loss) after Taxation Trf. from Profit or Loss	179,686	(129,711)
Balance before Statutory and Other Transfers	**(1,924,394)**	**(1,745,311)**
Transfer to Statutory Reserve (**Note 24**)	(44,922)	-
Credit Risk Reserve (**Note 29**)	286,612	(358,769)
Balance at December 31st	**(1,682,704)**	**(2,104,080)**

28. EARNINGS PER SHARE

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

Profit /(Loss) attributable to Ordinary Shareholders	**179,686**	**(129,711)**
Weighted Average number of ordinary shares	**13,195,250**	**13,192,831**
Basic Earnings per Share (in Ghana Pesewa)	**0.01**	**(0.01)**

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

(NOTES CONTINUED)

29. 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 Receivable GH¢	Total Amount GH¢
Financial Assets					
Loans and Advances	-	-	-	11,641,010	11,641,010
Money Market Investments	-	10,572,183	-	-	10,572,183
Cash and Cash Balances	9,363,943	-	-	-	9,363,943
Deposit Reserve	1,362,720	-	-	-	1,362,720
Equity Investments		-	141,673	-	141,673
Total Financial Assets	**10,726,663**	**10,572,183**	**141,673**	**11,641,010**	**33,081,529**
Total Non-Financial Assets					1,588,583
Total Assets					**34,670,112**
Financial Liabilities					
Customer Deposits					29,488,741
Managed Funds					484,489
Creditors and Accruals					440,579
Term Borrowings					3,781,127
Total Financial Liabilities					**34,195,295**
Total Non-Financial Liabilities					8,562
Shareholders Fund					466,255
Total Liabilities and Shareholders' Fund					**34,670,112**

30. CAPITAL RISK MANAGEMENT

The bank's objective when managing capital (which includes borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the bank's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximize stakeholder returns sustainably. The bank manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure and gearing ratio of the bank at the reporting date was as follows:

(NOTES CONTINUED)

		2022 GH¢	2021 GH¢
Customer Deposits and Other Payables	17&19	29,937,881	25,254,584
Borrowings	20&22	4,265,976	587,197
Total Borrowings		**34,203,857**	**25,841,781**
Cash and Cash Equivalent		(11,223,152)	(13,916,694)
Net Borrowings		**22,980,705**	**11,925,087**
Shareholders' Funds		466,255	279,939
Gearing Ratio		49.29%	42.6%

30i. FINANCIAL RISK MANAGEMENT

Overview

The bank is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the risk department, which is responsible for developing and monitoring the bank's risk management policies. The committee reports quarterly to the board of directors on its activities.

The bank's risk management policies are established to identify and analyze the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the control environment and the bank's activities.

The bank audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the bank. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and risk committee.

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. The bank is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, and other receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits, and monitoring. The bank deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analyzed individually for creditworthiness before terms and conditions are offered.

(NOTES CONTINUED)

The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored. Credit risk exposure arising on cash and cash equivalents is managed by the bank through dealing with well-established financial institutions with high credit ratings.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account.

Where necessary, the assessment for a significant increase in credit risk is made on both individual and collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

The maximum exposure to credit risk is presented in the table below:

Categories of Financial Assets	**Note**	**Gross Carrying Amount GH¢**	**Credit Loss Allowance GH¢**	**Amortised Cost/ Fair Value GH¢**
Loans and Advances	13	12,971,071	(1,045,665)	11,925,406
Other Assets	16	316,982	-	316,982
Cash and Cash Equivalent	10-12	11,223,152	-	11,223,152
Long Term Investments		9,011,628	-	9,011,628
		--------------	------------	--------------
		33,522,833	**(1,045,665)**	**32,477,168**
		========	=======	========

Liquidity risk

The bank is exposed to liquidity risk, which is the risk that the bank will encounter difficulties in meeting its obligations as they become due.

The bank manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations as well as borrowings from ARB Apex Bank.

The following are undiscounted cash flows that demonstrate the liquidity profile of the company.

(NOTES CONTINUED)

Categories of Financial Liabilities	**Note**	**Within 1 year GH¢**	**After 1 year GH¢**	**Fair Value GH¢**
Customer Deposits and Other Payables	17&19	29,847,881	-	29,847,881
Managed Fund	20	484,849	-	484,849
Borrowings from ARB Apex	22	2,351,861	1,429,266	3,871,127
		32,774,591	**1,429,266**	**34,203,857**

Interest Rate Risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. The debt of the bank is comprised of different instruments, which bear interest at fixed rates. Interest rates on all borrowings compare favourably with those rates available in the market. The bank policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

	2022 GH¢	**2021 GH¢**
31. DEFERRED INCOME		
At January 1st	296,493	193,271
Commitment Fees Accrued during the year	533,977	532,659
	810,470	**725,930**
Transfer to Income (**Note 6**)	(526,074)	(429,437)
At December 31st	**284,396**	**296,493**

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

32. RELATED PARTY TRANSACTIONS

We reference the list of directors on page 2 of the reports and audited Financial Statements and identify them as related party. The remuneration paid or payable to directors is disclosed per **Note 8** to the Financial Statements.

33. CAPITAL COMMITMENTS

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

34. EXCHANGE CONTROL

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

35. CONTINGENT LIABILITY

There were no contingent liabilities at the reporting date not provided for in the Financial Statement.

(NOTES CONTINUED)

36. EVENTS AFTER REPORTING PERIOD

The government of Ghana has successfully concluded a Domestic Debt Exchange Programme, under which existing government bonds were exchanged for new bonds. Consequently, the bank has shifted its policy on the valuation of bonds from amortised cost to fair value. The new bonds take effect from 21st February 2023, and the fair value of the new bonds at that date, using the treasury bill discount factor gives a total value of GHc 5,324,792. The fair value loss arising is estimated at GHc 2,901,602. The Directors consider that this estimated loss is not an adjustable issue***. (see Note 11. iv)***

37. SHAREHOLDING STRUCTURE

(i) Number of Shares Outstanding

Earnings and dividend per share are based on 13,259,131 (**2021**: 13,192,831) Ordinary Shares outstanding.

(ii) Directors Holdings

The Directors named below held the following number of shares in the Bank as at 31st December 2022:

	No. of Shares	**% of Issued Capital**
Alex Asare	32,000	0.24
Lawyer Gabriel Adufu	26,000	0.20
Enock Richard Arkaifie	7,495	0.06
Vida Marfo	4,000	0.03
Joseph Asumadu	2,000	0.02
	51,495	**0.55**

(iii) Number of Shareholders

The Bank had 3,823 ordinary shareholders as at 31st December 2022 distributed as follows: -

Holding	**No. of Members**	**Total Holding**
1 – 1,000	3,316	622,614
1,001 – 5,000	267	587,942
5,001 – 10,000	113	781,947
Exceeding 10,000	127	11,266,628
	3,823	**13,259,131**

(NOTES CONTINUED)

(iv) List of Twenty Largest Shareholders as at 31st December 2022

		No. of Shares	% of Issued Capital
1.	David Danquah Asamoah	2,641,590	19.92
2.	Richard Dugan	2,303,559	17.37
3.	RBF Limited	1,492,152	11.25
4.	Stephen Adei	546,000	4.12
5.	Rev. Martin K. Gyamfi	423,853	3.20
6.	Seth Adjei Baah	282,842	2.13
7.	J. Ofori Annor	210,467	1.59
8.	Emmanuel K. Bonna	181,224	1.37
9.	Lawrence A. Takyi	176,376	1.33
10.	Samuel Sefah Mireku	140,270	1.06
11.	Leticia Bediako	136,244	1.03
12.	Anthony Osafo Antwi	127,775	0.96
13.	Keed Investment	100,000	0.75
14.	Joseph A. Ahadzi	92,903	0.70
15.	Dora Dwamena Aboagye	73,994	0.56
16.	Eugene Kwadwo Tenkorang	70,956	0.54
17.	Ameyaw Kwasi James	68,122	0.51
18.	Richard Osei	60,865	0.46
19.	Sarpong Benson	59,154	0.45
20.	Samuel Nyarko	52,717	0.40
		9,241,063	**69.70**

SCHEDULE I

	2022 GH¢	2021 GH¢
General and Administrative Expenses		
Board Meeting Expenses	164,676	132,439
Police Guard & Security Training	146,340	108,130
Traveling & Transport	38,241	50,407
Business Promotion	1,000	6,005
Printing & Stationery	69,290	65,998
Repairs & Maintenance	40,503	31,578
Rent & Rates	67,826	65,205
Postages & Telephone	14,063	19,716
Insurance	166,998	138,260
Cleaning & Sanitation	6,251	8,583
Utilities (Electricity & Water)	104,100	91,321
Subscription & Periodicals	54,000	38,845
Motor Vehicle Running	206,559	141,468
Mobile Banking Expenses	355,101	249,000
Annual General Meeting	48,503	28,000
Loans Recovery Expenses	12,651	12,139
Legal Expenses	5,890	27,476
Audit & Inspection Expenses	10,570	8,702
Advert and Publicity	20,830	17,360
Generator Expenses	7,748	6,339
Specie Expense	5,380	3,574
Office Expenses	42,459	66,225
Impairment Loss (Investments)	-	833,499
Software License & Support (Amortization)	12,835	12,835
Motor Vehicle Repairs and Maintenance	11,871	-
Cheque Clearing Expenses	8,854	-
Funeral Grant	6,000	-
	1,628,539	**2,187,212**

TAX COMPUTATION
YEAR OF ASSESSMENT 2022
BASIS PERIOD (1/1/22-31/12/22)

		2022	2021
	GH¢	**GH¢**	**GH¢**
1) <u>Corporate Tax</u>			
Profit before Tax		551,769	107,139
Add/(Less):			
Depreciation	294,455		330,351
Provision for Credit Losses	1,009,658		532,175
Donations	15,585		52,667
Staff Provident Fund	147,649		140,031
Repairs and Maintenance (above 5%)	11,871		22,455
		1,479,218	1,077,679
Assessable Income		**2,030,986**	**1,184,818**
Less: Capital Allowances	(149,821)		(151,197)
Relieved Loss from 2018	-		(483,482)
Relieved Loss from 2019	-		(211,370)
		(149,821)	(846,049)
Chargeable Profit/ (Loss)		1,881,166	338,709
Tax Thereon @25% (2021:25%)		**470,291**	**84,692**
Tax Charged for the Year			
Corporate		**470,291**	84,692
Others		-	-
		470,291	**84,692**

CAPITAL ALLOWANCE COMPUTATION
YEAR OF ASSESSMENT 2022
BASIS PERIOD (1/1/22-31/12/22)

	Depreciation Allow. Rate	WDV 1/1/22	Additions	Disposals	Total	Depreciation Allowance	WDV 31/12/22
		GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
POOL OF ASSET							
Pool 1 Computers	40%	29,628	107,739	(64,834)	72,533	(19,752)	29,628
Pool 2 Motor Veh.	30%	63,031	28,866	(4,410)	87,487	(27,013)	63,031
Pool 3 Fixture/Equip't	20%	362,690	240,368	(403,155)	199,902	(90,672)	362,690
Pool 5(i) Building	10%	123,836	-	-	123,836	(12,383)	123,836
Pool 5(ii) Building	10%	-	-	-	-	-	-
TOTAL		**579,185**	**376,973**	**(472,399)**	**483,758**	**(149,821)**	**429,364**

	2022	2021	2020
	GH¢	GH¢	GH¢
Unrelieved Loss 2018 (1,232,591 – 749,109)	-	-	483,482
Unrelieved Loss 2019	-	-	211,370
Unrelieved Loss 2020	-	-	-
	-	**-**	**694,852**