

SOUTH AKIM RURAL BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2023

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SOUTH AKIM RURAL BANK LIMITED

Corporate information for the year ended 31 December, 2023

Board of Directors

New Directors:

Dr. Theophilus Knight Oware	Chairman	Appointed 2/5/2023
Mr. Festus Kwame-Mensah Ofofu	Vice Chairman	Appointed 2/5/2023
Mr. Emmanuel Obiri Addo	Member	Appointed 2/5/2023
Dr. Collins Nii Anang Okpoti	Member	Appointed 2/5/2023
Professor Douglas Darko Agyei	Member	Appointed 18/1/2024
Mr. Godfred Kwasi Gyasi	Member	Appointed 18/1/2024

Retired Directors

Professor Mark Boadu	Chairman	Retired 28/10/2023
Mr. Stephenson Samuel Ayeh	Vice Chairman	Retired 28/10/2023

Secretary:

New Secretary	Frank Nkansah	Appointed 28/10/2023
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Exited Secretary	Mr. Stephen Yemoah Nteful	Resn. 28/10/2023
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Solicitors

Mr. Isaac Okyere- Darko
Baako Apem Chambers
P.O. BOX 32
Koforidua

Registered and principal place of business

Bank Premises
P.M.B – Nankese
House No. N380
Nankese

Agencies:

Nankese, Koforidua, Adweso,
Suhum, Adoagyiri, Asamankese,
Osenase and Kade

Company registration number

CS293192018

Taxpayer identification number

C000690453X

Banker:

ARB Apex Bank PLC

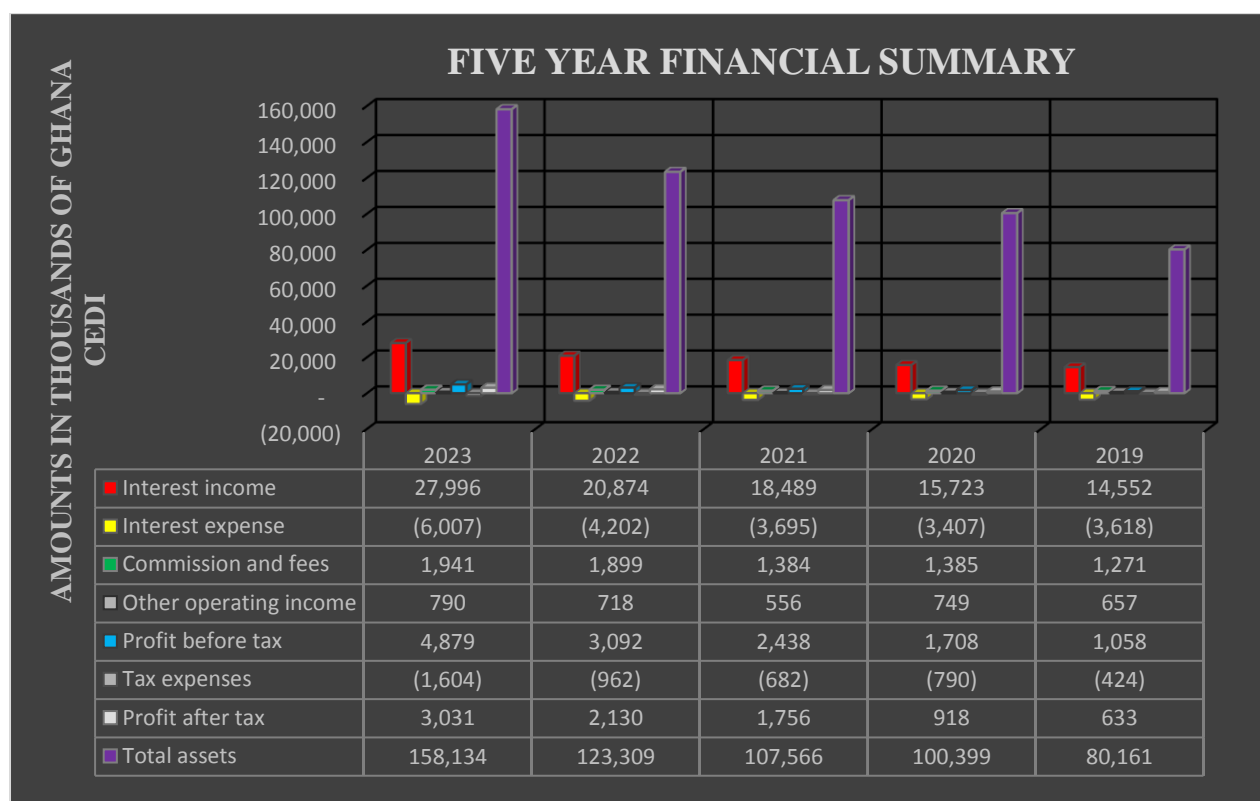
Independent auditor

BETA & Associates
Unnumbered House
Spintex Road, Accra
Near Entrance Pharmaceutical
P.O Box MD 396
Accra
info@beta-associates.com
www.beta-associates.com
GD-210-5360

SOUTH AKIM RURAL BANK LIMITED

Five-year financial summary	2023	2022	2021	2020	2019
Interest income	27,995,850	20,873,899	18,489,465	15,723,499	14,552,403
Interest expense	(6,006,536)	(4,202,154)	(3,694,611)	(3,407,255)	(3,617,845)
Commission and fees	1,941,090	1,898,932	1,383,602	1,384,667	1,270,685
Other operating income	790,387	717,848	555,777	749,232	657,410
Profit before tax	4,878,624	3,092,243	2,437,704	1,707,855	1,057,510
Tax expenses	(1,603,627)	(962,008)	(681,989)	(789,504)	(424,301)
Profit after tax	3,031,066	2,130,235	1,755,715	918,351	633,209
Total assets	158,134,268	123,309,350	107,566,022	100,399,041	80,161,223
Equity	14,658,629	11,604,226	9,974,898	11,450,218	10,540,257
Total equity and liabilities	158,134,268	123,309,350	107,566,022	100,399,041	80,161,223

Financial highlights	2023	2022	Percentage (%)
Interest income	27,995,850	20,873,899	34.12
Interest expense	(6,006,536)	(4,202,154)	42.94
Commission and fees	1,941,090	1,898,932	2.22
Other operating income	790,387	717,848	10.11
Profit before tax	4,878,624	3,092,243	57.77
Tax expenses	(1,603,627)	(962,008)	66.70
Profit after tax	3,031,066	2,130,235	42.29
Total assets	158,134,268	123,309,350	28.24
Equity	14,658,629	11,604,226	26.85
Total equity and liabilities	158,134,268	123,309,350	28.24



SOUTH AKIM RURAL BANK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities in respect of the financial statements

The Directors are required to ensure that adequate accounting records are maintained so as to disclose at reasonable adequacy, the financial position of the Bank. They are also responsible for steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They must present financial statements for each financial year, which give a true and fair view of the affairs of the Bank, and the results for that year. In preparing these financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment.
- state whether or not the Companies Act, 2019 (Act 992), the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with International Financial Reporting Standards ("IFRS") have been adhered to and explain material departures thereto.
- use the going concern basis unless it is inappropriate.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the year under review, which could have a material impact on the business.

The financial statements are prepared from the accounting records on the basis of consistent use of appropriate records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Bank. The financial statements have been prepared on a going concern basis and there is no reason to believe that the Bank will not continue as a going concern in the next financial year. The Directors confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently.
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis

SOUTH AKIM RURAL BANK LIMITED

Statement of Directors' responsibilities (continued)

Directors' responsibilities in respect of the financial statements (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them ensure that the financial statements comply with the Companies Act, 2019 (Act 992), the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with International Financial Reporting Standards ("IFRS"). They are also responsible for safe guarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By the order of the Board:

Name of Director..... **Name of Director**

Signature..... **Signature**.....

Date..... **Date**.....

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

By the requirement of section 136 of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we present our report together with the audited financial statements for the year ended 31 December 2023, which disclose the statement of the affairs of South Akim Rural Bank Limited (the “Bank”).

Financial results

Detailed financial results for the year are set out in the attached audited financial statements with an extract as below.

	2023	2022
Total income	30,727,327	23,490,679
Profit before tax for the year	4,878,624	3,092,243
from which is deducted growth and sustainability levy of	(243,931)	-
and income tax expense of	(1,603,627)	(962,008)
giving profit after tax of	3,031,066	2,130,235
To which is added balance on retained earnings account brought forward of	3,123,093	2,204,832
Prior year adjustment	-	(970,309)
leaving a balance before statutory and other transfers of	6,154,159	3,364,758
From which the following transfers were made:		
Transfer to statutory reserve	(757,766)	(266,279)
Movement in BOG and IFRS 9 loan provision	-	24,614
Bonus Issue	(454,337)	-
Transfer to development fund account	(500,000)	-
Retained earnings at year-end	4,442,056	3,123,093

The Directors considered the state of affairs of the Bank to be satisfactory.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED (CONTINUED)**

Stated capital and capital adequacy ratio

The Bank has complied with the minimum capital requirement and the 10% minimum capital adequacy ratio.

Dividends

The Directors proposed dividend of GH¢ 0.01 per share of the 88,493,914 ordinary shares standing at year end amounting to GH¢ 884,939.14

Principal activities

The principal business of the Bank is to provide banking and related services including taking deposits and lending money. This has not changed during the year.

Appointment, retirement and re-election of Board members

Per the Companies Act, 2019 (Act 992) and the regulations of the Bank of Ghana, Professor Mark Boadu and Mr. Stephenson Samuel Ayeh's term of serving on the Board ended on October, 2023 and given that, they were not re-elected as directors in 2023.

Professor Douglas Darko Agyei, Mr. Godfred Kwasi Gyasi and Mrs. Cynthia Anim were newly elected directors at the Annual General Meeting held in October 2023. They are yet to be cleared by the Bank of Ghana and regularized at the office of the registrar of companies (ORC).

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED(CONTINUED)**

Directorate

The Directors in office at the date of this report are as follows:

Directors	Qualification/ Profession	Designation	Appointment Status	Outside board & management position
Dr. Theophilus Knight Oware	PhD in Animation and Visual Effects	Chairman	Appointed 2/05/2023	Senior Lecturer/IT Consultant
Mr. Festus Kwame-Mensah Ofosu	B.A (Hons) Economics and Geography	Vice chairman	Appointed 2/05/2023	Entrepreneur and retired Banker
Mr. Emmanuel Obiri Addo	MBA Finance	Member	2/05/2023	Director of Finance and Administration, Kyebi, CEO
Dr. Collins Nii Anang Okpoti	MGCP (Specialist Physician), MBCHB, MPA and PG Diploma (Diabetes Management)	Member	Appointed 2/05/2023	Specialist Medical Supt.
Professor Mark Boadu	PHD Corporate Governance	Chairman	Term ended 28/10/2023	Senior Lecturer
Mr. Stephenson Samuel Ayeh	MSLC	Vice chairman	Term ended 28/10/2023	Printing
Professor Douglas Darko Agyei	PhD in Curriculum Design	Member	Appointed 18/01/2024	Abetifi Presbyterian College of Education, Entrepreneurship Training Institute, Senior Lecturer and Entrepreneur
Mr. Godfred Kwasi Gyasi	EMBA Banking and Finance	Member	Appointed 18/01/2024	Retired Banker

Directors' capacity building

Training to the Board of Directors is essential as this will enable them continually update their skills, their knowledge and familiarity with the company's businesses, their awareness of sector, risk, regulatory, legal, and financial and other developments to enable them to fulfil effectively their role on the Board.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED(CONTINUED)**

Directors’ capacity building (continued)

In the year under review, the sessions below were organised towards the capacity building of the Directors.

Area of training	Participants
Training on Anti-Money Laundry reporting	Professor Mark Boadu Mr. Stephenson Samuel Ayeh
Training on effective strategic planning and budgeting process	Professor Mark Boadu
Legal Aspects of Credit Admin., Lenders & Borrowers Act	All directors

Management Professional development and training

The following trainings were undertaken for management during the reporting year.

- HRM-Labor Act, rights & responsibilities of the employer, employee and staff appraisal
- IS & Risk-Based Auditing
- Leadership and people management
- Annual sensitization workshop for R&C officers
- Data Protection Act (Act 843)
- Data Requisition Gathering & Inputs from RCBs
- Inactive & Dormant Acct. Application in T24

Conflict of interest and compliance

The Bank has established appropriate conflicts and authorization procedures, whereby actual or potential conflicts or complaints are regularly reviewed and authorization sought as appropriate. During the year, no such conflicts arose. Necessary actions were also taken to resolve customers’ complaints.

Particulars of entries in the Directors’ interest register during the financial year

During the year the following directors expressed interest in certain transactions with the Bank. Per sections 194 to 196 of the Companies Act, 2019 (Act 992), they were appropriately entered into the interest register.

Date	Interest	Director’s Name
13 th March, 2023	Loan	Mr. Stephen Samuel Ayeh
28 th November, 2023	Loan	Dr. Theophilus Knight Oware

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED(CONTINUED)**

Independent auditor

The independent auditors are responsible for independently reviewing and reporting on the Company's financial statements for the year. The financial statements have been reviewed by the Company's independent auditors and their report is presented on pages 19 to 24.

Messrs, BETA & Associates Chartered Accountants have been appointed as the auditor of the Bank to replace Messrs, UHY Voscon Chartered Accountants in accordance with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930 and the Companies Act, 2019 (Act 992)

Messrs. BETA & Associates, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as independent auditors to the Bank.

BETA & Associates will continue in the office per the provisions of section 139 (11) of the Companies Act, 2019 (Act 992) and per the Bank of Ghana directive.

Corporate social responsibilities

The Bank supported the Farmers' Day celebration in areas where it operates. No donations were made to any political organization.

Audit fees

The amount payable for the 2023 statutory audit is GH¢55,000

Events after reporting year

The management is not aware of any event that will affect the going concerns of the Bank after the reporting year.

Related party transactions

Related party transactions and balances are disclosed in *note 36* to the financial statements. All the Directors and key management personnel have interest in shares but not loan stock of the Bank. Other than service contracts and those reported under directors' interest, no Director has a material interest in any contract to which the Bank was a party during the year

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED (CONTINUED)**

Code of ethics

a. Employee

South Akim Rural Bank Limited has a Code of ethics for the staff and has been made available to all employees of the Bank through Union of Industry, Commerce & Finance (UNICOF) of the Ghana Trade Union Congress (GTUC).

The number and percentage of male and female in employment contract with the Bank during the financial year vis-à-vis total workforce is presented below.

Gender analysis for employees and the Board of Directors

31-Dec-2023	Male	Female	Total	Male	Female
	Number	Number	Number	%	%
Employees	119	63	182	65	35
Gender analysis of the Board and top management is below:					
Board	6	-	6	100	-
Top management	6	3	9	67	33
Detailed analysis of the Board and top management is below:					
Executive Directors	-	-	-	-	-
Non-executive Directors	6	-	6	100	-
Head of departments	6	2	8	75	25
Total	12	2	14	86	14
Gender analysis of the branch managers and employees are below:					
Branch managers	5	3	8	63	38
Head Office	31	11	42	74	26
Agencies:					
Nankese	9	6	15	60	40
Suhum	12	11	23	52	48
Koforidua	18	9	27	67	33
Asamankese	8	9	17	47	53
Adoagyiri	12	6	18	67	33
Osenanse	9	4	13	69	31
Adweso	12	2	14	86	14
Kade	8	5	13	62	38

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Approval of financial information

The financial information for the year set out on pages 25 to 69 which have been prepared on a going concern basis, were approved by the Board of Directors and are signed on their behalf

By the order of the Board:

Name of Director..... Name of Director.....

Signature..... Signature.....

Date..... Date.....

SOUTH AKIM RURAL BANK LIMITED

Corporate Governance (CG) report

South Akim Rural Bank Limited is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and Executive Management to provide an effective oversight and management of the Bank in a manner that enhances shareholders' value and promotes investors' confidence. The Bank's corporate governance principles are contained in a number of corporate documents. The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Executive Management, approval of business strategies, evaluation of performance and assessment of major risks facing the Bank. In discharging its obligations, the Board exercises judgment in the best interest of the Bank and relies on the Bank's Executive Management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's Executive Management subject to clear instructions in relation to such delegation of authority and the circumstances in which Executive Management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank. The Board is made up of Non-Executive Directors.

South Akim Rural Bank Limited's commitment to ensuring international best practice in terms of Corporate Governance remains strong and unwavering.

1. Board composition

Membership of the Board is made up of seven (7) persons. The Board at all times, shall be regulated by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930), notices of Bank of Ghana and ARB Apex Bank Limited. All the Directors have varied experience and backgrounds and are well equipped to handle the responsibilities of the Board. At the moment there are only Six (6) directors in place due to the introduction of the corporate governance directives.

The Board's oversight of the operations and activities of the Bank continues to be carried out transparently. The Board shall concentrate on policy direction of the Bank whilst the day-to-day administration of the Bank is vested in the Chief Executive Officer and his team.

Approval and acceptance of high-risk Loans and Overdraft and Investment portfolios are done by the whole Board at their meetings. The Board acts as the general policy maker of the Bank. Below are some other mandates of the Board:

- Formulation and review of policies and overseeing the management and conduct of the business.
- Formulation and management of the Risk Management Framework.
- Succession planning and the appointment, training, remuneration, performance appraisal and replacement of board members and senior management.
- Overseeing the effectiveness and adequacy of internal control systems.
- Overseeing the maintenance of the Bank's communication and information dissemination policy.
- Ensuring effective communication with shareholders.
- Ensuring the integrity of financial reports.
- Ensuring maintenance of ethical standards.
- Ensuring compliance with the Laws of Ghana and Directives and Guidelines from Regulatory bodies.

SOUTH AKIM RURAL BANK LIMITED

Corporate Governance (CG) report (continued)

Frequency of meetings

Meetings of the Board are usually held once every two months, but may be convened at any time the need arises.

Board Sub-Committees

By resolution, the Board has established five (5) Committees in the performance of its mandate. These Committees are:

- Audit, Risk and Compliance Committee (ARC)
- Credit & Mobilisation Committee
- Finance & Administration Committee and
- Governance, Remuneration & Nominating Committee
- Cyber Security and Information Technology Committee

Audit, Risk and Compliance Committee

The Committee is composed of Mr. Festus Kwame Mensah Ofori, Mr. Stephen Samuel Ayeh, Dr. Theophilus Knight Oware, Mr. Stephen Yamoah Nteful, Ms. Esther S.A. Mensah and Mr. Mark Anim Ayeh, being the Secretary of the Committee and ex-officio Mrs. Felicity Baah

The Committee's terms of reference are as below:

The Committee shall meet every quarter and shall examine the budget comparing it with actual performance. The Committee will also see whether the Bank was meeting the objectives set up in the Corporate Plan specifically the Committee will share and report on

- Audit report
- Bank of Ghana on-site examination Report
- Budget variance analysis
- Procurement of essential assets.

Scope of activity

- monitoring the internal audit function of the Bank including its independence.
- investigate any matter brought to its attention within the scope of its duties with the authority to retain counsel or other advisors, if in its judgment that is appropriate, at the expense of the Bank.
- review the results of the annual audit and discuss the annual financial statements with management.
- review the statutory auditors' management letter when presented and ensure adequacy of management's response; and v review with the Operations manager annually the significant financial reporting issues and practices of the Bank and ensure that appropriate accounting principles are applied including financial controls relating to the "closing of the books" process.
- review and approve the Bank's risk management policy including risk appetite and risk strategy.
- review the adequacy and effectiveness of risk management and controls.
- oversight of management's process for the identification of significant risk across the Bank and the adequacy of prevention, detection and reporting mechanisms.
- review of the Bank's compliance level with applicable laws and regulatory requirements that may impact the Bank's risk profile.
- periodic review of changes in the economic and business environment including emerging trends and other factors relevant to the Bank's risk profile.

SOUTH AKIM RURAL BANK LIMITED

Corporate Governance (CG) Report (Continued)

Scope of activity (continued)

- review and recommend for approval of the Board, risk management procedures and controls for new products and services.
- exercise oversight responsibility over the Bank's payment systems, ensure internal compliance and control measures are put in place,
- exercise oversight responsibility over the Bank's Environmental and Social (E&S) risk issues within all relevant business activities,

Credit and Mobilisation Committee (CMC)

The Committee is composed of Mr. Stephen Samuel Ayeh, Mr. Emmanuel Obiri Addo, Mr. Festus Kwame Mensah Ofosu, Mr. Fred Ofori Anim, Mr. Stephen Yamoah Nteful, Mrs. Felicity Baah, Mr. Llewellyn Theophilus Okunka Bruce being the Secretary of the Committee and ex-officio; Mr. Richard Kpodji and Mr. Sani Mohammed.

The objectives of the Credit and Mobilisation Committee

The Board shall establish a Credit and Mobilisation Committee to assist it in its oversight functions with regard to the Bank's credit exposure and management, lending practices and the Bank's credit and lending strategy.

The functions of the Committee shall include the following:

- oversee the effectiveness and administration of credit related policies including compliance with legal lending limits and the Bank's in-house lending restrictions.
- review the process for determining provision for credit losses and the adequacy of the provision made.
- approve credit risk appetite and credit portfolio strategy and ensure it is in line with the corporate strategy of the Bank.
- approve credit facility requests and proposals within limits defined by the Bank's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities;
- This includes the approval of all credit policies and procedures including product programs that have E&S considerations in line with the Bank's ESRM Policy; and the consideration and approval of the recommendation of the Management Credit Committee (MCC).

Finance and Administration Committee (F&A)

The Committee is composed of Mr. Emmanuel Obiri Addo, Dr. Collins Nii Anang Okpoti, Dr. Theophilus Knight Oware, Mrs. Felicity Baah, Mr. Stephen Yamoah Nteful, Mr. Llewellyn Theophilus Okunka Bruce, Mr. Michael Asare being the Secretary of the Committee.

The Committee's areas of responsibility are:

- monitoring financial performance and reporting to the Board as appropriate;
- reviewing and recommending to the Board annual and long-range operating and capital budgets;
- ensuring that accurate and complete financial records are maintained;
- reviewing and recommending to the Board, Bank's investment policies;

The functions of the Committee are to:

- Prepares of an Establishment Quota and periodic review for the attention of the Board.
- Assesses the accuracy and reliability of the Banks financial statements in accordance with statute and appropriate accounting principles.

SOUTH AKIM RURAL BANK LIMITED

CORPORATE GOVERNANCE (CG) REPORT (CONTINUED)

Finance and Administration Committee (F&A) (continued)

- Reviews Annual Budget and conducts mid-year review Budget for the consideration of the Board
- Review of Agency performance and assessment of the Banks consolidated performance.
- Preparation of Corporate Strategic Plan.
- Arranges for interviews for recruitment of staff.
- Identifies training needs and schedules training programmes for the attention of the Board.
- Ensures good Salary Administration including placements, staff appraisals and interviews for promotion.
- Designs measures to promote staff welfare
- Institutes proper procedures and system at the work place to ensure staff health and increased productivity.
- Arranges Durbars for staff and Directors to promote mutual cordial relations.
- Oversee and advise the Board on nominations, orientation and policies in respect of Directors, compensation and reward.
- Adjudicates over disciplinary matters for the attention of the Board.
- Review exit interview reports from Management for the attention of the Board.

Governance, Remuneration and Nominating Committee

The Committee is composed of Prof. Mark Boadu, Mr. Emmanuel Obiri Addo, Mr. Stephenson Samuel Ayeh, Mr. Festus Kwame Mensah Ofofu, Mr. Stephen Yamoah Nteful and Mr. Llewellyn Theophilus Okunka Bruce being the Secretary of the Committee.

The functions of the Committee shall include the following:

- Support and advise the Board in ensuring it is comprised of individuals who are best able to discharge the duties and responsibilities of Directors and that SARB has the appropriate corporate governance standards and practices in place.
- Focus primarily on the composition, appointments, succession and effectiveness of the Board, ensuring that both appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social background, personal strengths.
- Oversee the adoption of appropriate internal policies on the assessment of the suitability of Directors, members of the Executive Committee and other key management personnel subject to regulatory approval.
- Keep the Board's governance arrangements under review and make appropriate recommendation to the Board to ensure that the SARB's arrangements are consistent with best practice corporate governance standards.

Cyber Security and Information Technology Committee

The Committee is composed of Dr. Theophilus Knight Oware, Mr. Emmanuel Ofori Addo, Dr. Collins Nii Anang Okpoti, Mrs. Felicity Baah, Mr. Emmanuel Laud Anderson and Ms. Irene Atterh being the Secretary of the Committee and ex-officio Mr. Stephen Yamoah Nteful

The Board shall establish a Cyber Security and Information Technology Committee to assist the Board in fulfilling its oversight responsibility relating to the establishment of policies, standards and guidelines for Cyber Security and Information Technology and compliance with legal and regulatory requirements in the Bank.

The functions of the Committee shall include the following:

- determine the Bank's cyber and information security strategy.

SOUTH AKIM RURAL BANK LIMITED

CORPORATE GOVERNANCE (CG) REPORT (CONTINUED)

Cyber Security and Information Technology Committee (continued)

- approve the Bank’s policies of cyber and information security, outsourcing, survivability, backup and recovery from cyber incidents and attacks, and disaster events.
- approve the annual and other work plans for cyber and information security, business continuity and disaster recovery.
- receive monthly and/or immediate reports, as required, about significant cyber and information security incidents.
- hold an annual discussion about the adequacy of the bank’s cyber and information security policies and strategies.
- state and extend its support for inter-bank collaboration on cyber and information security defense.
- ensure effective internal controls and risk management practices are implemented to achieve security, reliability, availability, resiliency, and recoverability.
- review the Bank’s activities related to the Code of Conduct and Ethics of the Bank.
- review the adequacy and effectiveness of the programme of compliance established within the Bank.
- review the processes in place for ensuring new and changed legal and regulatory requirements are identified and reflected in the Bank’s processes.
- review the scope and depth of Information Security compliance activities, and the resulting impact audit findings have on the Cyber and Information Security profile of the Bank.
- evaluate the nature and effectiveness of action plans implemented to address identified compliance weaknesses.
- identify and monitor key risks arising from technology and digital areas.
- review and recommend to the Board for approval at least annually, the Bank’s Information Technology (IT) data governance framework to ensure that IT data risks are adequately mitigated, and relevant risks are managed effectively.
- review key technology risks and associated strategies, including the overall technology risk profile of the Bank. This includes key technology security strategies and policies, the Bank’s compliance with laws and regulations related to its IT and Digital activities, investigations and reviews of security issues relevant to the Bank’s technology processes/systems and any significant issues identified by Internal Audit.
- oversee the effectiveness of the Bank’s Business Continuity & IT Disaster Recovery Plans and Business Continuity & Disaster Recovery Testing.
- oversee the effectiveness of the Bank’s IT vulnerability testing and remediation.
- Review, on an annual basis, the performance of the Digital Business and IT Department against its strategy

Frequency of meetings

Meetings of the Board are usually held once in two months, but may be convened at any time the need arises

The Board and its Committees met as follows:

	Number of meetings
Board of Directors	14
Governance, Remuneration & Nominating Committee	1
Audit, Risk and Compliance Committee	2
Finance & Administration Committee	2
Cyber Security & Information Technical Committee	1
Credit & Mobilisation Committee	4

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (Cg) Report (Continued)

Directors	Attendance	Percentage (%)
The Board of Directors convened fourteen (14) meetings.		
Dr. Theophilus Knight Oware	11	73
Mr. Festus Kwame Mensah Ofosu	11	73
Mr. Stephenson Samuel Ayeh	12	80
Prof. Mark Boadu	12	80
Mr. Stephen Yamoah Nteful	14	100
Mr. Emmanuel Obiri Addo	11	73

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee convened two (2) meetings.

Members	Attendance	Percentage (%)
Mr. Festus Kwame Mensah Ofosu	1	50
Mr. Stephenson Samuel Ayeh	2	100
Dr. Theophilus Knight Oware	1	50
Mr. Stephen Yamoah Nteful	1	50
Mr. Mark Anim Ayeh	2	100
Ms. Esther S. A. Mensah	-	-

Ex- Officio

Mrs. Felicity Baah	2	100
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Credit and Mobilisation Committee

Credit and Mobilisation Committee convened four (4) meetings.

Members	Attendance	Percentage (%)
Mr. Stephenson Samuel Ayeh	4	100
Mr. Emmanuel Obiri Addo	4	100
Mr. Festus Kwame Mensah Ofosu	4	100
Mr. Fred Ofori Anim	0	-
Mr. Stephen Yamoah Nteful	3	75
Mrs. Felicity Baah	1	25
Mr. Llewellyn Theophilus Okunka Bruce- Secretary	1	25
Ex-Officio		
Mr. Richard Kpodji	2	50
Mr. Shani Mahama	1	25

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) Report (Continued)

Finance & Administration Committee

Finance & Administration Committee convened two (2) meetings

Members	Attendance	Percentage (%)
Mr. Emmanuel Obiri Addo	2	100
Dr. Collins Nii Anang Okpoti	-	-
Dr. Theophilus Knight Oware	1	50
Mrs. Felicity Baah	1	50
Mr. Stephen Yamoah Nteful	2	100
Mr. Llewellyn Theophilus Okunka Bruce	1	50
Mr. Michael Asare- secretary	1	50

Governance, Remuneration & Nominating Committee

Members	Attendance	Percentage (%)
Prof. Mark Boadu	1	100
Mr. Stephenson Samual Ayeh	1	100
Mr. Festus Kwame Mensah Ofori	1	100
Mr. Stephen Yamoah Nteful	1	100
Mr. Llewellyn Theophilus Okunka Bruce- Secretary	1	100

Cyber Security & Information Technical Committee

Members	Attendance	Percentage (%)
Dr. Theophilus Knight Oware	1	100
Mr. Emmanuel Obiri Addo	-	-
Dr. Collins Nii Anang Okpoti	-	-
Mrs. Felicity Baah	1	100
Ms. Irene Atterh- Secretary	-	-
Mr. Emmanuel L. Anderson	1	100

Ex- Officio

Mr. Stephen Yamoah Nteful	1	100
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By order of the Board

Name of Chairman..... Name of Vice Chairman.....

Signature..... Signature.....

Date..... Date.....

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Report on the audited financial statements

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Bank as at 31 December 2023, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) with the IAS 29 directive issued by the Institute of Chartered Accountants Ghana (ICAG) and in the manner required by the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and any other relevant local legislation.

What we have audited

We have audited the accompanying financial statements of the South Akim Rural Bank Limited for the year ended 31 December, 2023.

The financial statements comprise:

- statement of comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2023;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

Basis for opinion

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

Independence

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

Going concern

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Report on the audited financial statements (continued)

Management has not identified a material uncertainty that may cast significance doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Bank. Based on our audit of the financial statements of the Bank, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Bank's ability to continue as going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. These matters are selected from the matters communicated with management and the board, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters

Key audit matters

Key audit matter

Impairment of loans and advances

Impairment of loans and advances to customers is a key audit matter due to the complexity and subjectivity over estimating the amount of impairment.

Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that impairment exists on an individual basis, loans are assessed collectively for impairment. The estimation of the impairment loss allowance on an individual basis also requires management to make assumptions about the financial conditions of the borrower, expected future cash flows of the borrower and the amount recoverable from any collateral pledged.

How our audit addressed the key audit matter

We focused our attention on an accurate computation of the non-performing loans ratio. Our audit procedures included:

We assessed and tested the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers

We also assessed and tested the design and operating effectiveness of controls over the bank's loan impairment process regarding management's review process over impairment calculations.

We further examined a sample of performing loans to evaluate if any indicators of impairment existed to test the completeness of individual impairment provisions.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Report on the audited financial statements (continued)

Key audit matters (continued)

The collective impairment loss allowance relates to losses incurred but not yet identified on other loans and advances. The two key judgments in the collective impairment assessments are the likelihood of default and the emergence period; and it is the latter which is the single most critical judgment, as there is limited historic data on which to accurately assess it and therefore, the most sensitive to adjustment.

Accordingly, impairment of the Bank's loan and advances portfolio is considered to be a key audit matter.

Impairment about changes in estimates occurring during the period and its sensitivity to key assumptions.

From our substantive procedures, we validated the year end impairment figures by re-performing calculations and agreeing our figures with what was done by the Bank, for the sample we took.

Other information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Report on the audited financial statements (continued)

Responsibilities of Directors for the financial statements

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

Independent auditor's responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from the fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Report on the audited financial statements (continued)

Independent auditor's responsibilities for the audit of the financial statements (Continued)

We are required to communicate with those charged with governance 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. We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992)

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

1. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
2. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
3. the statement of financial position and the statement of comprehensive income of the Company are in agreement with the books of account.
4. We are independent of the Bank pursuant to section 143 of the Act.

**INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF
SOUTH AKIM RURAL BANK LIMITED**

Report on the audited financial statements (continued)

Banking Act

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

1. The accounts give a true and fair view of the state of affairs of the Bank and its results of operations for the year under review;
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
3. The Bank’s transactions were within its powers;
4. In our opinion, the Bank has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) repealed and replaced by Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and the regulations enactments; and
5. The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The engagement partner on the audit resulting in this independent auditor’s report is *Emmanuel Banu (ICAG/P/1355)*.

For and on behalf of:
BETA & Associates (ICAG/F/2024/221)
Chartered Accountants
P.O. Box MD 396, Accra
Unnumbered House
Spintex Road, Accra
Near Entrance Pharmaceutical,
Accra – Ghana.
E: info@beta-associates.com
W: www.beta-associates.com
Date:

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Statement of comprehensive income for the year ended 31 December, 2023

(All amounts are stated in Ghana cedi unless otherwise stated)

Statement of comprehensive income	Notes	2023	2022
Interest income	7	27,995,850	20,873,899
Interest expense	8	(6,006,536)	(4,202,154)
Net interest income		21,989,314	16,671,745
Commissions and fees	9	1,941,090	1,898,932
Other operating income	10	790,387	717,848
Total operating income		24,720,791	19,288,525
Impairment of loan	10.1	(435,071)	(516,169)
Other operating costs	11	(19,407,096)	(15,680,113)
Profit before taxation		4,933,624	3,092,243
Growth and sustainability levy		(243,931)	-
<u>Taxation</u>	12b	<u>(1,603,627)</u>	<u>(962,008)</u>
Profit after taxation		3,031,066	2,130,235
Other comprehensive income		-	-
Total comprehensive income attributable to the shareholders		3,031,066	2,130,235

The notes on pages 30 to 69 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Statement of financial position as at 31 December, 2023

(All amounts are stated in Ghana cedi unless otherwise stated)

Statement of financial position	Notes	2,023	2022
Cash and cash equivalents	13	17,344,660	12,100,440
Short term investment	14	50,500,000	44,693,967
Trading investments	15	44,324,008	24,938,653
Investment in subsidiary	17	1,800	1,800
Loans and advances to customers	18	40,622,178	36,522,507
Equity investments	19	258,468	200,928
Other assets	20	1,824,505	2,425,502
Prepayments	21	221,006	924,751
Taxation	12a	-	42,775
Property, plant and equipment	22	1,907,895	2,060,980
Intangible assets	23	229,361	267,866
Right of use of asset	23b	900,387	-
Total asset		158,134,268	124,180,169
Liabilities and equity			
Liabilities			
Customer deposits	24	134,492,012	105,691,864
Long term liabilities	25	757,810	922,018
Payables and accruals	26	6,340,682	4,518,469
Dividend payable	27	1,303,283	1,350,355
Taxation	12a	325,850	-
Deferred tax liability	12c	256,000	93,237
Total liability		143,475,639	112,575,943
Equity			
Stated capital	28	4,279,882	3,802,208
Retained earnings		4,442,056	3,123,093
Statutory reserve fund	30	4,533,073	3,775,307
Capital reserve		130,204	130,204
Development fund	29	1,053,272	553,272
Credit risk reserve	29.1	220,142	220,142
Total equity		14,658,629	11,604,226
Total liabilities and equity		158,134,268	124,180,169

The notes on pages 30 to 69 are integral part of these financial statements. These financial statements were approved by the Board and signed on their behalf by:

Name of Director..... Name of Director.....

Signature..... Signature.....

Date Date

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023 Statement of changes in equity for the year 31 December 2023 (All amounts are stated in Ghana cedi unless otherwise stated)

for the year 31 December 2023	Stated capital	Retained earnings	Statutory Reserve Fund	Capital reserve	Develop't fund	Credit risk	D'sit for Shares	Total
At year start	3487,878	3,123,093	3,775,307	130,204	553,272	220,142	314,330	11,604,226
Prior year adjustment	314,330						(314,330)	-
Reinstated balance	3,802,208	3,123,093	3,775,307	130,204	553,272	220,142	-	11,604,226
Deposit for shares	-	-	-	-	-	-	59,685	59,685
Transfer from deposit for shares	59,685	-	-	-	-	-	(59,685)	-
Bonus shares issued	417,989	(454,337)	-	-	-	-	-	(36,348)
Profit for the year	-	3,031,066	-	-	-	-	-	3,031,066
Transfer to statutory reserve	-	(757,766)	757,766	-	-	-	-	-
Transfer to development fund	-	(500,000)	-	-	500,000	-	-	-
At year end	4,279,882	4,442,056	4,533,073	130,204	1,053,272	220,142	-	14,658,629

The notes on pages 30 to 69 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023
 Statement of changes in equity for the year 31 December 2022
 (All amounts are stated in Ghana cedi unless otherwise stated)

For the year 31 December 2022

	Stated capital	Retained earnings	Statutory reserve Fund	Capital reserve	Develop't fund	Credit risk	D'sit for shares	Total
At year start	3,487,878	2,204,832	3,509,707	130,204	553,272	-	89,006	9,974,899
Prior year adjustment	-	(970,309)	(679)	-	-	244,756	-	(726,232)
Reinstatement balance	3,487,878	1,234,523	3,509,028	130,204	553,272	244,756	89,006	9,248,667
Deposit for shares	-	-	-	-	-	-	225,324	225,324
Transfer from deposit for shares	314,330	-	-	-	-	-	(314,330)	-
Profit for the year	-	2,130,235	-	-	-	-	-	2,130,235
Transfer to statutory reserve	-	(266,279)	266,279	-	-	-	-	-
Movement in IFRS 9 and BOG loan provision	-	24,614	-	-	-	(24,614)	-	-
At year end	3,802,208	3,123,093	3,775,307	130,204	553,272	220,142	-	11,604,226

Reinstated changes in equity. Refer to previous year signed accounts for the original changes in equity.

The notes on pages 30 to 69 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the ended 31 December, 2023****Statement of cash flows for the ended 31 December, 2023***(All amounts are stated in Ghana cedi unless otherwise stated)*

	Notes	2,023	2022
Cash generated from operations before taxation	38	33,473,620	18,127,703
Growth and sustainability levy paid		(77,268)	-
Tax paid	12a	(1,072,239)	(925,000)
Net cash generated from operating activities		32,324,113	17,202,703
Cash flows from investing activities:			
Purchase of property, property and equipment	22a	(659,452)	(1,165,274)
Acquisition of right to use asset	23b	(1,030,524)	-
Increase in Investment		(19,442,894)	21,572,996
Proceed from sale of assets		46,952	40,671
Net cash used in investing activities		(21,085,918)	20,448,393
Cash flows from financing activities:			
Proceeds from issue of shares		59,685	225,324
Loan payment/received		(164,208)	(136,000)
Cost of bonus issue		(36,347)	-
Dividend paid		(47,072)	-
Net Cash paid for financing activities		(187,942)	89,324
Increase in cash and cash equivalent		11,050,253	37,740,420
Cash and cash equivalents at the beginning of the year		56,794,407	19,053,987
Cash and cash equivalents at the end of the year		67,844,660	56,794,407
Analysis of cash and cash equivalents:			
Cash and bank balances		17,344,660	12,100,440
Short term investment		50,500,000	44,693,967
At year end	32	67,844,660	56,794,407

The notes on pages 30 to 69 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes

1. Reporting entity

The South Akim Rural Bank Limited (SARB) is a Limited Liability Company registered in Ghana and authorised 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. It was incorporated on 25th August 1984 and commenced business on 13th June 1986.

The Bank is domiciled in Ghana with its Head Office in Nankese and its agencies located in the Eastern region.

2. Summary of significant accounting policy

2.1 Basis of preparation

a. Statement of compliance

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

The financial statements were approved by the Board of Directors on the date signed under the financial position.

b) Basis of measurement

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

- Assets and liabilities held for trading are measured at fair value
- Financial instruments designated at fair value through profit or loss are measured at fair value
- Investments in equity are measured at fair value
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual terms do not give rise solely to payments of principal and interest are measured at fair value; and
- Available-for-sale financial assets are measured at fair value

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

c) Functional and presentation currency

These financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional currency. Financial information in Ghana cedis have been rounded to the nearest one Ghana Cedi (GH¢ 1)

d) Use of estimates and judgements

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

2.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by the Bank.

2.2.1 Revenue recognition

The Bank recognises revenue in the financial statements on the accrual basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Bank's activities. The Bank bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Interest income

Interest income, including income arising from loans and advances and other financial instruments are recognised in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter year to the net carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.1 Revenue recognition (continued)

(b) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service is provided. Commission and fees arising from negotiation or participation in the negotiation of a transaction such as the arrangement for a loan are recognised upon completion of the underlying transaction.

Commissions and facility fees are credited to income when earned with reasonable certainty and in the case of facility fees, in the year in which the related loan is granted.

(c) Other income

These are incomes from other activities of the Bank other than the core business like profit on disposal, SMS alert charges, etc and these are recognized in the statement of comprehensive income.

2. 2.2 Interest expense

Interest expense is recognised in the profit or loss for all interest-bearing financial instruments measured at amortised cost, these include savings and fixed deposits, current accounts and loans from ARB Apex 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 where appropriate, a shorter year 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.

2.2.3 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.3 Income tax expense (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2.2.4 Financial assets and liabilities

a) Recognition

The Bank initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

b) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

c) Offsetting

Financial assets and liabilities are set off 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 intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

d) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

e) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

f) Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognised through other comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with ARB Apex Bank Limited and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date, the financial asset is accounted for as a loan, and the underlying asset is not recognised in the Bank financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Bank chooses to carry the loans and advances at fair value through profit or loss.

j) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

2.2.5 Provisions

Provisions are recognised when the Bank has:

- a present obligation (legal or constructive) as a result of a past event,
- and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,
- and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingents' liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(a) Provision for restructuring/reorganization

A restructuring or reorganization is a programme that is planned and controlled by management which will materially change the scope and manner in which the business is conducted e.g. the termination or sale of business. A provision for restructuring can only be recognized if there is a constructive obligation which is established if the following conditions are met:

- There is a detailed formal plan that identifies the part of the business, location and employees who will be affected by the restructuring
- A valid expectation has been created to those who will be affected by the restructuring.
Provision for restructuring is made if a constructive obligation exists before the end of the financial year. However, if the constructive obligation arises after year end, and the provision is material, the material effect is disclosed in the financial statements in accordance with IAS 10.

Restructuring provision cost include direct expenditures that will be incurred because of the restructuring and excludes any cost associated with ongoing activity of the entity. E.g. training of staff, relocation of staff, marketing and investment in new machinery.

2.2.6 Employee benefits

Short term employment benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the year in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as result of past performance.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity.

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Payments to defined contribution retirement benefits plans are charged as an expense as they fall due.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(a) National pension scheme

The Bank contributes 13.0% of qualifying employee costs to a National Pensions Scheme and the contribution is charged to the profit or 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. The fund is managed by SSNIT (Tier 1) and Enterprise Trustee (Tier 2)

(b) Provident fund

The Bank has a provident fund scheme for all employees who have completed their probation with the Bank. Employees of the Bank contribute 9% of their basic salary to the fund while the Bank contributes 7.5%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated. The fund is managed by Metropolitan Pensions Trust Ghana.

Termination benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized if Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Loan concessionary rate

The Bank gives a lower rate to her staff lower than the commercial customers and this is in line with the Banks policies.

2.2.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories are measured using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the estimated costs necessary to make the sale.

Cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventories are stationeries of the Bank. Some of the inventory item which by way of changings in the Bank's operation are rendered obsolete are yet to be taken out of the inventory list and values.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.8 Impairments of assets and other financial assets

The Bank assesses at each end of the reporting year whether there is any indication that an asset may be impaired. If any such indication exists, that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is possible to estimate the recoverable amount of the individual asset, the recoverable amount of the Cash-Generating Unit (CGU) to which the asset belongs is determined. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less than any accumulated depreciation or amortization is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a downward revaluation.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as an upward revaluation.

2.2.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as part of equity.

2.2.10 Related parties

Related parties are individuals and companies, where the individual and the Bank have the ability directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements.

2.2.11 Property, plant and equipment

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

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Land and Buildings	5% per annum
- Plant and Machinery	25% per annum
- Office Equipment	25% per annum
- Motor Vehicles	33 ¹ / ₃ % per annum

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

Property, plant and equipment (continued)

- | | |
|--------------------------------------|---------------|
| - Computers and Accessories | 25% per annum |
| - Furniture, Fittings and Structures | 20% per annum |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were impaired as at 31 December 2019 (2018 December: nil).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.2.12 Intangible assets

Intangible assets are initially recognized at cost. Where an intangible asset arises through an internal project, the cost of that intangible asset is the total expenditure incurred from the development phase of the project when the Company can demonstrate all of the following:

- the technical feasibility to completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Expenditure incurred during the research phase of an internal project and all other expenditure incurred on internally generated intangible assets is recognised as an expense in the income statement when it is incurred.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. For purposes of determining the amortisation of intangible assets, the useful lives of these assets are assessed as being either indefinite or finite.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Company. Amortisation is not provided for these intangible assets but test for impairment.

For all other intangible assets, amortisation is provided on a straight-line basis so as to write down the cost of the intangible assets, less their residual values, on the straight-line basis over their useful lives

The amortisation charge is recognised as an expense in the income statement. The amortisation year and amortisation method applied to an intangible asset with a finite useful life is reviewed and adjusted, if necessary, on an annual basis. These changes are accounted for as a change in estimate.

Intangible assets with indefinite useful lives are tested for impairment annually by determining the recoverable amount of the assets either individually or at the cash-generating unit level.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

Intangible assets (continued)

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment is made prospectively.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an intangible asset is included in the income statement and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the date of de-recognition.

Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is ten (10) years. The only software acquired during the year was Temenos 24 (T24) which the software used by the Bank for their operations.

2.2.13 Right of use of asset

Under IFRS 16, lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Bank recognize payment made in advance to landlords which give them the right to use the asset during that period.

The Bank couldn't foresee renegotiation of the right to use the asset. Right-of-use of assets are depreciated over the leased terms and this is recognized in the statement of comprehensive income.

2.2.14 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.15 New standards and amendments not yet effective but were not elected by the Bank for early adoption during the year

(i) IFRS S1, General requirements for disclosure of sustainability related financial reporting

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024

(ii) IFRS S2, Climate-related disclosures

IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects')

IFRS S2 is effective for annual reporting periods beginning on or after 1 January 2024

3. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgments and assumptions made in applying the bank's accounting policy

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and assumptions that have a risk of causing adjustments to the carrying amounts are:

(i) Fair value of financial instruments

The fair values of financial instruments where no actual markets exist or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

(ii) Investment measured at amortised cost

The Bank follows guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as investment measured at amortised cost. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to collect investment income. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as investment measured at fair value through other comprehensive income. These investments would therefore be measured at fair value and not amortised cost.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(iii) Property, plant and equipment

Critical estimates are made by Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2.2.11

(iv) Income taxes

Significant estimates are required in determining the provision for income taxes. The deferred income tax has been based on future profitability assumptions.

3.2 Stated capital and reserves

(a) Statutory reserves

This represents the cumulative amounts set aside as non-distributable reserve from annual profit after tax in accordance with Section 34 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The amount transferred ranges from 12.5% to 50% of the net profit after tax, depending on the ratio of the current statutory reserve fund to stated capital. The Bank transfer 25% of her profit after tax to statutory reserve.

(b) Capital surplus/reserves

The capital reserve account is a creation of law under Sections 70 and 71 of the Companies Act, 2019 (Act 992) and records gains or losses arising from the revaluation of assets of the Bank including its property, plant and equipment and quoted equity investment. 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.

(c) Retained earnings

The retained earnings record the cumulative annual profits (after appropriations) available to shareholders which is not distributed as dividend as at the reporting date.

(d) Development fund reserve

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

3.3 Events after reporting date

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

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

3.4 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current Year.

4.0. Financial risk management

Introduction and overview

An organization may be exposed to different types of financial risks depending on the size and complexity of business activities. South Akim Rural Bank Limited, however, is generally exposed to:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk
- (d) Operational risk
- (e) Compliance risk
- (f) Legal risk
- (g) Reputational risk
- (h) Capital risk
- (i) capital management

The identifying, measuring, monitoring and controlling these risks, and regulatory capital management is presented below:

Risk management framework, objectives, policies, procedures and processes

Risk management framework

The Board of Directors and Senior Management have developed and established policies and procedures to facilitate effective risk management. These policies and procedures provide guidance on risk appetite/tolerance limit, risk identification, monitoring and control and adherence to set risk limits. The risk management policies and procedures are continually reviewed to reflect changes in economic and financial landscape as well as products and services offered.

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The responsibilities of the Board of Directors include; setting out the overall risk appetite/tolerance limit, ensuring that the overall risk exposure is maintained at prudent levels and consistent with available capital.

They also include ensuring that Management as well as individuals responsible for Risk Management possess sound expertise and knowledge to accomplish the risk management function and that appropriate policies and procedures for risk management are in place.

The board Sub-Committees on Audit Assurance, Finance & Administration and Credit and the Management Committee as a whole oversee the implementation of the broad risk management policies and objectives of the Bank.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

2.2.3 Financial assets and liabilities (continued)

(a) Credit risk

Credit risk management

Credit risk represents the loss which the bank would suffer if a customer or counter-party to financial instruments failed to meet its contractual obligations.

Credit Risks terms from outright default due to inability or unwillingness of a client or counterpart to meet commitment in relation to lending, trading settlement and other financial transaction. Resultant losses may result in reduction in receivables Portfolio value due to the actual or perceived deterioration in those receivables portfolio quality.

The bank has established credit policies under which new customers are assessed for credit worthiness before credit is extended to them.

The Management Technical Committee is responsible for implementing the credit risk policy/strategy, monitoring credit risk on a Bank-wide basis and ensuring compliance with credit limits to be approved by the Board. Business strategies, policies and procedures for managing credit are determined bank-wide with specific policies and procedures being adopted for commercial loans, small and medium enterprises and salary loans.

Managing problem loans

The Recoveries Unit within the Credit Department manages delinquent facilities including outright recoveries or nursing of such problem loans back to health. At delinquent and past due stages, where recovery efforts are unsuccessful, the Credit Department refers the client to the Bank's contractual external collectors-Lawyers and sometimes uses task force. In some cases, the Bank gets authority to dispose of security assets to defray the loan balance.

Provisioning for loans and advances

Credit losses are anticipated and charged in the statement of profit or loss on a monthly basis. The balance in the impairment allowance account is always equal to at least the required provisions based on the current risk rating profile. If the status of the loan worsens, the balance of the provision account is increased by an additional charge against earnings.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

Provisioning for loans and advances (continued)

In conformity with Bank of Ghana’s directives, the minimum provision that are held are as follow;

Credit risk rating	Days past	Minimum Provision (%)	
		2023	2022
Current	Less than 30	1	1
OLEM	31-90	5	5
Sub-standard	91-180	25	25
Doubtful	181-360	50	50
Loss	Over 360	100	100

In conformity with Bank’s policy on IFRS 9, financial Instrument measurement and impairment, the minimum provision that are held are as follow;

Product	Stage 1		Stage 2		Stage 3		Total	Total
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Agric	1,409,799	6,285	3,764	50	50,937	50,937	1,464,500	57,271
Trading	21,561,875	52,363	667,687	14,328	1,877,354	1,874,828	24,106,916	1,941,519
Transport	358,101	2,579	156,527	4,181	78,071	78,067	592,698	84,828
Others	13,028,567	18,559	48,056	1,005	634,575	634,158	13,711,198	653,723
Cottage industries	3,477,566	18,137	2,824	57	179,608	179,604	3,659,998	197,798
Total	39,835,907	97,922	878,858	19,622	2,820,544	2,817,595	43,535,310	2,935,139

Exposure to credit risk

The carrying amount of financial assets represents the bank's maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2023	2022
Cash & balances with banks	17,344,660	12,100,440
Financial assets held to maturity	94,824,008	69,632,620
Loans & advances	40,622,178	36,522,507
Other assets	1,824,505	1,554,683
Equity investment	258,468	200,928

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

The provision for credit losses is done using Bank of Ghana guidelines, within the context of the principles of IFRS. 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 holders to retire the loans on time.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

Exposure to credit risk (continued)

The general outcome of the assessment and review processes leading to the impairment provision at the reporting date is as follows:

Category	Percentage Provision	2023	2022
Current	1%	686,034	377,973
Other loans especially mentioned (OLEM)	5%	37,115	18,939
Sub-standard	25%	129,462	187,823
Doubtful	50%	50,366	537,475
Loss	100%	<u>2,010,155</u>	<u>1,355,851</u>
		<u>2,913,132</u>	<u>2,478,061</u>

Exposure to credit risk

The outcome of the assessment and review processes leading to the impairment provision at the reporting date based on IFRS 9 is as follows:

Provision	
Stage 1 exposure	39,835,907
Stage 2 exposure	878,858
Stage 3 exposure	<u>2,820,544</u>
Total	<u>43,535,309</u>

(b) Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

The Bank's liquidity risk management systems comprise two main processes;

- Assessment of the Bank's financing requirements on the basis of budgets in order to plan appropriate funding sources and;
- Analysis of daily cash report to monitor daily cash flow position

The table below analyses the Bank's financial assets and financial liabilities that will be used to settle excluding the impact of netting agreements, into relevant maturity groupings based on the remaining year between the reporting dates to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows based on the earliest date on which the Bank may be required to pay using its liquid assets.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

Liquidity Risk (continued)

Maturities of financial assets and liabilities

At 31 December 2023	Up to 1 month	1 – 12 months	1 – 5 years	Non- interests bearing	Total
Financial assets					
Cash and bank balances	17,344,660	-	-	-	17,344,660
Trading investments	50,500,000	4,426,069	39,897,940	-	94,824,008
Loans and advances	5,549,699	22,051,864	15,933,747	-	43,535,310
Equity investments	-	-	258,468	-	258,468
Other assets	-	-	-	1,824,505	1,824,505
Total financial assets (Gross)	73,394,359	26,477,933	56,090,155	1,824,505	157,786,951
Financial liabilities					
Customer deposits	100,923,737	33,568,275	-	-	134,492,012
Long term borrowing	-	-	757,810	-	757,810
Dividends payable	-	-	-	1,303,283	1,303,283
Taxation	-	-	-	325,850	325,850
Accounts payable	-	-	-	6,340,682	6,340,682
Total financial liabilities	100,923,737	33,568,275	757,810	7,969,816	143,219,638
Total finance gap	(27,529,378)	(7,090,342)	55,332,345	(6,145,311)	14,567,313

At 31 December 2022

Total financial assets	23,873,139	19,994,137	25,469,183	5,983,752	75,317,211
Total financial liabilities	10,837,902	35,289,746	43,875,074	21,609,165	111,611,887
Total finance gap	13,035,237	(15,295,609)	(18,405,891)	(15,625,413)	(36,294,676)

The gap shows that the Bank bounce back positively in 2023 as compared to 2022 and this is a good sign of for the Bank operation.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(c) Market risk

Interest rate risk

Interest rate risk represents the risk exposures the Bank has in relation to instruments whose value vary with the level of interest rates. These include investments, debt securities, and borrowings.

The borrowings with floating interest rates. All of its borrowings are at floating interest rates.

Exposure to the risk of changes in market interest rates relates primarily to its long-term Interest rate exposure is managed primarily through negotiating new borrowing agreements that carry lower and more stable interest rates.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is the risk of loss arising from the potential that inadequate information systems, breaches of internal controls, fraud, technological failure and unforeseen catastrophes may result in unexpected loss or reputational problems.

Interest rate risk

Over the years the bank has developed a thorough and consistent framework of policies, procedures and tools to identify, measure, monitor, control and actively manage its operational risks in a timely and effective manner.

(e) Compliance and regulatory risk

In order to strengthen the compliance with regulatory requirements, the Bank organizes series of dedicated training on a regular basis to equip staff with compliance and regulatory issues in order to minimize risk emanating there from.

(f) Legal risk

The Banks activities are undertaken in a manner which adequately reduces the risks which may arise out of material litigation to be initiated against it (The Bank).

(g) Reputational risk

The Bank conducts its business in a responsible, professional and transparent manner. The Bank safeguards the interest of its clients as well as its reputation. This is aimed at demonstrating our commitment and fostering a long-term relationship with our clients and the public at large. We manage our image and reputation in a professional manner.

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(h) Capital risk management

The primary objectives of the Banks externally imposed capital requirement by the Bank of Ghana and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximize shareholders value. In order to maintain the desired level of capital, the Bank may vary its dividend policy or issue new shares. The Bank complied with all externally imposed capital requirement throughout the year.

(i) Capital management

The Bank of Ghana sets and monitors capital requirements for the bank. The banking operations are directly supervised by their local regulators. In implementing current capital requirements, Bank of Ghana requires the bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The bank calculates requirements for market risk in its trading portfolios based upon the CAR models and uses its internal gradings as the basis for risk weightings for credit risk. The bank is also required to maintain a credible capital plan to ensure that capital level of the bank is maintained in consonance with the bank risk appetite.

The Banks regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings, translation reserve, development funds and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale. Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital exceed 50 percent of tier 1 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

Banking operations are categorised as either trading book or banking book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures. The bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The impact of the level of capital on shareholders' return is also recognised and the bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The bank operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the bank's management of capital during the year. The bank's regulatory capital position at 31 December was as follows:

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

Tier 1 capital	Amount in GH¢
Ordinary share capital (stated capital)	4,279,882
Disclosed reserves:	
Retained earnings	4,442,056
Statutory reserve fund	4,533,073
Development fund	1,053,272
Credit risk reserve	220,142
Investments in unconsolidated subsidiaries	(1,800)
Investments in the capital of other banks & financial institutions	(258,468)
Total	14,268,157
Tier 2 capital	
Revaluation reserves	65,102
Total	65,102
Total regulated capital	14,333,259
Total assets	158,134,268
Less	
Cash on hand	7,939,712
I. 5% deposit	6,556,093
ii. Clearing account balance at apex	2,192,222
iii. Acod	9,600,000
Claims on government	
I. Treasury securities (bills and bonds) investment	63,335,495
ii. Stock	21,548,969
Investments in unconsolidated subsidiaries	1,800
Investments in the capital of other banks & financial institutions	258,468
80% claims on discount houses	525,306
Adjusted total assets	46,176,203
Add:	
100% of 3years average annual gross income	17,750,507
Adjusted assets base	63,926,710
Adjusted capital base as percentage of adjusted asset base	-
Capital surplus / deficit	8,070,792
Capital adequacy	12.42%

The bank has met the minimum 10% capital adequacy ration

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

5.1 Financial assets and financial liabilities

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements.

Financial Assets	Carrying amount		Fair Value	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	17,344,660	12,100,440	17,344,660	12,100,440
Short term investment	50,500,000	44,693,967	50,500,000	44,693,967
Loans and advances	40,622,178	36,522,507	40,622,178	36,522,507
Other assets	1,824,505	1,554,683	1,824,505	1,554,683
Trading investments	44,324,008	24,938,653	44,324,008	24,938,653
Total	154,615,351	119,810,250	154,615,351	119,810,250

Financial liabilities

	Carrying Amount		Fair Value	
	2023	2022	2023	2022
Customer deposits	134,492,012	92,214,537	134,492,012	105,691,864
Term borrowing	757,810	1,058,018	757,810	922,018
Payables and accruals	6,340,682	3,204,487	6,340,682	3,347,651
Dividend payable	1,303,283	1,103,959	1,303,283	1,350,355
Taxation	325,850	-	325,850	-
Total	143,219,638	97,581,001	143,219,638	111,611,888

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

5.1 Financial assets and financial liabilities

The following methods and assumptions were used to estimate the fair values: -

Cash and short-term deposits, loans and advances, deposits and current accounts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

-Long-term, fixed-rate and variable-rate receivables/borrowings are evaluated by the Bank based on parameters such as interest rates. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2023, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

5.1 Financial assets and financial liabilities

The following methods and assumptions were used to estimate the fair values: - (continued)

Also, staff loans which are given at an interest rate lower than the effective interest rate are assumed to have a fair value as the carrying amount as tools for managing the fluctuations are not in place when management decided to measure them at fair value by creating staff cost and deferred interest to be amortised over the staff loan life span.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Ghana Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observation market data when available. The Bank considers relevant and observable market prices in its valuation when possible.

The fair value of the Bank's financial assets and liabilities approximate the respective carrying amounts, due to the generally short years to maturity dates.

As at 31 December 2023, the Bank held the following financial instruments measured at fair value:

2023	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	258,468	36,120	-	222,348
Trading investment	15	44,324,008	-	44,324,008	-
Loans and advances	18	40,622,178	-	-	40,622,178

As at 31 December 2022, the Bank held the following financial instruments measured at fair value:

2022	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	200,928	36,120	-	164,808
Trading investment	15	24,938,653	-	24,938,653	-
Loans and advances	18	36,522,507	-	-	36,522,507

The Bank carries quoted and unquoted equity shares as equity investment financial instruments classified as Level 1 and level 3 within the fair value hierarchy.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

6.1 Regulatory Disclosure	2023	2022
Gross Loans (GH¢)	43,535,310	39,000,568
Performing loans (GH¢)	40,280,417	35,629,079
Non-performing loans (GH¢)	3,254,893	3,371,488
Non-performing loan ratio (NPL %)	7.48%	8.64%
Loan loss provision ratio	6.69%	6.35%
Ratio of 20 largest exposures to total credit (%)	23.60%	7.98%
Capital Adequacy Ratio (CAR %)	12.42%	13.35%
Primary Reserve - No. of defaults	Nil	Nil
7. Interest income	2023	2022
Loans and advances	14,396,107	11,165,889
Government securities & other investments	13,599,743	9,708,010
Interest in arrears	27,995,850	20,873,899
	-	(381,187)
	27,995,850	20,492,712
8. Interest expense	2023	2022
Savings, Ghanapay and fixed deposit accounts	5,978,412	4,145,050
Interest on loan	28,124	57,104
	6,006,536	4,202,154
9. Commission and fees	2023	2022
Commitment fees	1,013,729	770,874
Commission	927,361	1,128,058
	1,941,090	1,898,932
10. Other operating income	2023	2022
Other income	491,307	562,037
Service charge	70,688	14,272
Profit on disposal	44,462	40,671
Sundry income	183,930	100,868
	790,387	717,848

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

10.1 Impairment loss	2023	2022
At start of year	2,478,061	2,780,312
Reconciliation to provision	-	(3,225)
Restated balance	2,478,061	2,777,087
Bad debt written off	-	(815,195)
Impairment after write off	2,478,061	1,961,892
Charged to profit or loss	435,071	516,169
Impairment at year end based on Bank of Ghana guidelines	2,913,132	2,478,061
11. Other operating costs	2023	2022
Staff related costs - note (11a)	10,280,579	8,531,552
Depreciation	942,676	628,595
Directors' fees	-	-
Audit fees	55,000	55,000
Microfinance expenses	719,738	508,255
General and administrative expenses-note (11b)	7,409,102	5,956,711
	19,407,095	15,680,113
11(a). Staff related cost	2023	2022
Salaries and wages	7,320,227	6,229,136
Staff social security	811,583	743,990
Staff provident fund	446,056	455,235
Staff training and development	184,026	90,067
Staff medical costs	237,400	107,401
Allowance to attachment students	4,300	-
Housing expenses	-	1,557
Other staff allowances	1,276,987	904,166
	10,280,579	8,531,552

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

11(b) General and administrative expenses	2023	2022
Electricity and water	359,295	258,942
Board meeting expenses	285,676	394,711
Police guard expenses	492,775	393,023
Travelling expenses	139,585	97,427
Office expenses	223,016	161,300
Printing and stationery	279,003	244,852
Repairs and maintenance	159,757	177,408
Rent and rates	101,906	179,241
Telephone postage	55,247	35,972
Insurance expenses	682,415	534,758
Advertising and publicity	69,050	68,153
Shortage in till	410	434
Anniversary expenses	-	50
Annual general meeting expenses	182,337	194,403
Vehicle running expenses	1,475,249	1,246,794
Entertainment/protocol expenses	247,933	174,410
Specie expenses	54,577	48,148
Annual subscription	104,158	96,499
Computerisation	791,650	374,077
Cheque clearing expenses	55,441	36,021
Generating plant	99,127	75,170
Donation	69,753	72,133
Legal expenses	319,845	79,022
Motor vehicle repairs & Maintenance	272,168	146,285
Audit expenses	12,050	19,030
Bad debts	(45,338)	37,702
Defalcation written off	117,928	-
Bank charges	911	-
Other expenses	419,860	372,666
Business promotion	371,318	438,079
Penalties	12,000	-
	7,409,102	5,956,710

12(a). Taxation

	Balance at 1/1/2023	Charge for the Year	Adjustment	Payments	Balance at 12/31/2023
2021	-	-	210,619	(60,212)	150,407
2022	(42,775)	-	(107,632)	-	(150,407)
2023	-	1,337,877	-	(1,012,027)	325,850
	(42,775)	1,337,877	102,987	(1,072,239)	325,850

The above tax position is subject to the agreement of the Domestic Tax Revenue Division of the Ghana Revenue Authority.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(b) Charge to income statement	2023	2022
Current income tax expense	1,337,877	872,103
Charge to income statement for deferred tax	162,763	216,655
Underestimate/(over estimate)	102,987	(126,750)
Balance at year end	1,603,627	962,008
(c) Deferred tax	2023	2022
Balance at year start	93,237	(123,418)
Charge to statement of comprehensive income	162,763	216,655
Balance at year end	256,000	93,237
12(d) Reconciliation of effective tax rate	2023	2022
Profit before tax	4,878,624	3,092,243
Income tax using domestic tax rate (25%)	1,219,656	773,061
Tax effect of non-deductible expense	476,936	261,979
Tax effect of over/under estimate	(102,988)	(126,750)
Effect of deferred tax	162,763	216,655
Tax effect of capital allowance and other allowable	(358,716)	(162,937)
Tax expense charge to statement of comprehensive income	1,603,627	962,008
Effective tax rate (%)	32.87%	31.11%
13. Cash and bank balances	2023	2022
Cash holdings	7,939,712	4,743,635
Bank (Note 32b)	2,848,855	2,555,794
ARB Apex Bank Limited- 5% Deposit (Note 16)	6,556,093	4,801,011
Mobile money cash balance	-	-
	17,344,660	12,100,440

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

14. Short-term investments	2023	2022
Apex certificate of deposit (ACOD 7/30)	9,600,000	11,100,000
Treasury bills note	40,900,000	33,593,967
	50,500,000	44,693,967
15. Trading investment	2023	2022
Fixed deposit with Non-Bank Financial Institution	4,426,069	4,426,069
Government stock	43,984,464	23,200,000
	48,410,533	27,626,069
Unearned interest	(4,086,525)	(2,687,416)
	44,324,008	24,938,653
16. ARB Apex Bank Limited- 5% Deposit	2023	2022
At start of year	4,801,011	4,670,413
Net Investments during the Year	1,755,082	130,598
At year end	6,556,093	4,801,011
17. Investment in subsidiary	2023	2022
SARB Service Limited	1,800	1,800
	1,800	1,800
<p>The SARB Service Limited is a subsidiary but as at 31 December, 2023, the Company is no more in existence except its net assets that procedures will be followed to liquidate the Company by appointing a liquidator. The board is yet to take a decision to write off the balance as the amount will not have any negative impact on the Bank when written off.</p>		
18 Loans and advances		
(a) Analysed by type of facility	2023	2022
Loans	32,819,110	29,164,166
Advances	10,716,200	9,836,402
	43,535,310	39,000,568
Less: provision for credit losses	(2,913,132)	(2,478,061)
	40,622,178	36,522,507

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

b) Analysed by type of customer	2023	2022
Individuals	23,687,981	19,853,687
Private institutions	5,390,518	5,038,185
Others	14,456,811	14,108,696
	43,535,310	39,000,568
Less provision for credit losses	(2,913,132)	(2,478,061)
	40,622,178	36,522,507
(c) Sectorial report	2023	2022
Loans		
Agriculture	1,464,500	1,076,239
Cottage industry	3,659,998	1,460,247
Transport	592,698	474,187
Trading	12,100,500	14,654,655
Others (Microfinance)	13,406,394	11,498,838
	31,224,090	29,164,166
Advances	2023	2022
Commerce	12,006,416	9,688,856
Others	304,804	147,546
	12,311,220	9,836,402
Total loans and advances	43,535,310	39,000,568
Less provision for credit losses	(2,913,132)	(2,478,061)
	40,622,178	36,522,507
19. Equity Investments	2023	2022
Quoted shares		
Societe Generale Ghana PLC	9,600	9,600
GCB Bank PLC	26,200	26,200
Cocoa Processing Company PLC	320	320
	36,120	36,120
Unquoted shares		
ARB Apex Bank Ltd	222,348	164,808
Total	258,468	200,928

The prices of the quoted shares have remained same as 2022 at the end of the year.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

20. Other Assets	2023	2022
Office accounts	172,691	271,469
Stationery stock	310,389	304,290
Inter-agency	3,887	-
Others (E-zwich /U-Connect)	45,920	-
CC Uncleared effect	233,818	201,128
E-Zwich/ ATM Stock	512,395	174,058
Interest and commission accrued	545,405	1,474,557
	1,824,505	2,425,502
21. Prepayments	2023	2022
Rent	-	206,583
Insurance	221,006	718,168
	221,006	924,751

The rent has been reclassified as right of use of assets. The amount is for 2022 is not material and therefore no prior year adjustment is passed or reinstated financial statement is prepared in that regard.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

22a. Property, plant and equipment- 2023	1 January Cost/valuation	Additions	Disposal	31 December
Land and building	1,126,113	54,490	-	1,180,603
Office equipment	556,004	116,613	-	672,617
Plant and machinery	344,085	170,800	-	514,885
Motor vehicle	2,629,737	206,559	-	2,836,296
Computer and accessories	1,016,387	74,850	-	1,091,237
Furniture and fittings	804,892	36,140	-	841,032
	6,477,218	659,452	-	7,136,670
Accumulated Depreciation	1 January	Charge for the year	Disposal	31 December
Land and building	510,713	51,373	-	562,086
Office equipment	413,288	82,678	-	495,966
Plant and machinery	304,721	57,145	-	361,866
Motor vehicle	1,635,366	506,712	-	2,142,078
Computer and accessories	829,995	80,168	-	910,163
Furniture and fittings	722,153	34,463	-	756,616
	4,416,236	812,539	-	5,228,775
Carrying values:				618,517
Land and building				176,651
Office equipment				153,019
Plant and machinery				694,218
Motor vehicle				181,074
Computer and accessories				84,416
Furniture and fittings				-
				1,907,895

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

22b. Property, plant and equipment- 2022	1 January Cost/valuation	Additions	Reclassification	31 December
Land and building	1,126,113	-	-	1,126,113
Office equipment	461,834	50,960	43,210	556,004
Plant and machinery	344,085	-	-	344,085
Motor vehicle	1,641,278	988,459	-	2,629,737
Computer and accessories	933,741	-	82,644	1,016,385
Furniture and fittings	804,892	-	-	804,892
	5,311,943	1,039,419	125,854	6,477,216

Accumulated Depreciation	1 January	Charge for the year	Disposal	31 December
Land and building	454,407	56,306	-	510,713
Office equipment	358,401	54,887	-	413,288
Plant and machinery	286,717	18,004	-	304,721
Motor vehicle	1,276,754	358,612	-	1,635,366
Computer and accessories	761,359	68,636	-	829,995
Furniture and fittings	688,509	33,644	-	722,153
	3,826,147	590,089	-	4,416,236

Carrying values:

Land and building	615,400
Office equipment	142,715
Plant and machinery	39,364
Motor vehicle	994,371
Computer and accessories	186,392
Furniture and fittings	82,738
	2,060,980

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

23. Intangible assets	2023	2022
Cost at start of year	385,054	385,054
Cost at year end	385,054	385,054
Accumulated amortisation		
Balance at start of year	117,188	78,683
Charge for the year	38,505	38,505
Balance at year end	155,693	117,188
Carrying amount	229,361	267,866
23b. Right of use of assets	2023	2022
Cost at start of year	-	-
Additions	1,030,524	-
Disposals	-	-
Cost at year end	1,030,524	-
Accumulated amortisation		
Balance at start of year	-	-
Charge for the year	130,137	-
Disposal	-	-
Balance at year end	130,137	-
Carrying amount	900,386	-
24. Customer Deposits	2023	2022
(a) Analysed by type of account		
Time deposits	33,568,275	26,611,774
Current account	20,614,678	15,876,642
Susu	27,106,892	21,180,716
Other deposits	963,848	-
Savings accounts	52,238,319	42,022,732
	134,492,012	105,691,864

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

(b) Analysed by Type of Customers	2023	2022
Susu	27,106,892	37,889,379
Government agencies and department	963,494	897,240
Private Enterprise	8,905,886	6,657,992
Individual	97,515,740	60,247,253
	134,492,012	105,691,864

25. Long term liabilities	2023	2022
Other sources CAP	720,310	734,518
ARB Apex Bank Limited	37,500	187,500
	757,810	922,018

The Bank borrowed an amount of GH¢ 600,000 in July 2019 from ARB Apex Limited at an interest rate of 22% payable within sixteen quarterly installments. The purpose of the loan is to renovate the Adoagyiri and Asamankese agencies.

During the year 2021, the Bank received GHS 727,840 from ARB Apex Bank Limited as Covid19 Fund set up by Ghana Government to be managed by the Bank.

26. Payables and accruals	2023	2022
Migrating suspense	214,363	2,317
Accrued interest	1,025,346	1,371,942
Growth and sustainability levy	166,663	-
Bills payable	416,624	70,829
Audit fees	55,000	55,000
Police guard	49,600	43,200
Office accounts	653,379	538,792
ACH Uncleared effect	2,649,112	563,517
Software license fee payable	-	651,033
Inter-Agency	329,047	304,985
Redenomination account/interest suspense	745,200	762,801
Withholding tax payable on bonus shares issued	36,348	-
Ezwich	-	154,053
	6,340,682	4,518,469

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

27. Dividend payable	2023	2022
At start of year	1,350,355	1,103,960
Dividend declared at AGM	-	671,923
Payments	(47,072)	(425,528)
At close of year	1,303,283	1,350,355

28. Stated Capital	Number	2023 Proceeds	Number	2022 Proceeds
Authorised				
Authorised ordinary shares	100,000,000	-	100,000,000	-
Issued Ordinary Shares for:				
Cash and other than cash	83,597,935	3,802,208	81,151,699	3,487,878
Additions during the year	716,082	59,685	2,446,236	314,330
Bonus issue	4,179,897	417,989	-	-
At year end	88,493,914	4,279,882	83,597,935	3,802,208

During the year 2022, a bonus issue of 1 for every 20 shares held was proposed and agreed at the AGM in October 2023 and approval was given sorted from Bank of Ghana. The Bank of Ghana have no objection and so such is recognized as part of the stated capital

29. Development fund	2023	2022
At start of year	553,272	553,272
Transfer from retained earnings	500,000	-
At year end	1,053,272	553,272

29.1. Credit risk reserve	2023	2022
Balance at start of year	220,142	244,756
Bank of Ghana position after IFRS impairment	-	2,478,061
IFRS Impairment provision	-	(2,502,675)
At year end	220,142	220,142

This year the IFRS 9 impairment is higher than the BOG impairment therefore no additional reserve is made towards credit risk

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

30. Statutory Reserve Fund	2023	2022
At start of year	3,775,307	3,509,707
Prior year adjustment	-	(679)
Transferred from Retained earnings	757,766	266,279
At year end	4,533,073	3,775,307

The Statutory Reserve Fund is required under section 34 of the Banks and Special Deposit Act, 2016 (Act 930). Based on the parameters, 25% of profit after tax was transferred to statutory reserve for 2023 and 12.5% in 2022.

31. Earnings per Shares

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.

	2023	2022
Profit attributable to ordinary shareholders	3,031,066	2,130,235
Weighted average shares	88,493,914	83,597,935
EPS	0.034	0.025

32. Cash and Cash Equivalents	2023	2022
Cash holdings (Note 13)	7,939,712	4,743,635
Bank (Note 32b)	2,848,855	2,555,794
ARB Apex Bank Limited-5% Deposit (Note 16)	6,556,093	4,801,011
Short term investment (Note 14)	50,500,000	44,693,967
	67,844,660	56,794,407

32(b). Bank Balance	2023	2022
ARB Apex Bank Limited	2,192,222	1,598,103
Other banks (Mobile money and money at call)	656,633	957,691
	2,848,855	2,555,794

33. Capital commitments

There were no outstanding capital commitments at the reporting date (2022: Nil).

34. Contingencies

There were no contingent assets or liabilities not provided at the reporting date (2022: Nil).

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2023

Notes and significant accounting policies (continued)

(All amounts are stated in Ghana cedi unless otherwise stated)

35. Legal proceeds

There were legal proceedings that the Bank took against her customers who failed to pay back their loans Bank at the reporting date. Previous experience is that Bank always win her cases against her customers. The Bank lawyer is yet to furnish his expectations on these outstanding legal cases. (2022: Nil).

36. Related party

a) Key management personnel and directors

Key Management personnel are defined as those persons having authority and responsibility for planning: directing and controlling the activities of South Akim Rural Bank Limited (directly or indirectly) and comprise the Directors and senior management.

For the year under review, key management personnel include:

- i. Board of Directors -refer to list on page 1
- ii. Key management persons

These are the departmental heads of the Bank and the list is below:

Mr. Stephen Yemoah Nteful	Chief Executive Officer
Mrs. Felicity Baah	Operations Manager
Mr. Llewellyn Theophilus Okunka	Human Resource Manager
Mr. Richard Kpodji	Marketing Manager
Mr. Fred Anim	Credit Manager
Mr. Mark Ayeh Anim	Audit Manager
Ms. Esther S. A Mensah	Risk and Compliance Manager
Mr. Sani Mohammed	Microfinance Manager

b. Transactions with Directors and Key Management Personnel

The details of transactions between the company and its key management personnel are as follows:

Key management and staff compensation	2023	2022
Directors Emoluments	-	-
Salaries and other benefits to senior management	3,196,384	2,779,464

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2023

Notes and significant accounting policies (continued)

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

Related party (continued)

c. Loan transactions with Directors and Key Management Personnel

Loans to Board members and management staff are given in line with the policies of the Bank. Below is the details:

Loans to Board members and senior management staff are given in line with the policies of the Bank. Below are the details:

Details	At start of year	Addition	Payments	At year end
Directors	44,334	305,070	(349,404)	-
Firms that Directors have interest	693,114	-	(693,114)	-
Senior management staff	691,561	560,900	(361,530)	890,931

d. All Directors and key management staff have interest in shares at year end

(i) Directors Shareholding:

The total number of shares held by the Directors of the Bank at the reporting date represented 2.17% of total number of shares outstanding then. Below are the details

Directors' shareholding as at 31 December 2023

Names of Director	No. of Shares	Percentage of Issued Capital
1. Dr. Theophilus Knight Oware	45,803	0.05
2. Mr. Festus Kwame Mensah	616,850	0.70
3. Prof. Mark Boadu	388,659	0.44
4. Mr. Stephenson Samuel Ayeh	303,502	0.34
5. Mr. Emmanuel Obiri Addo	200,000	0.23
6. Dr. Collins Nii Anang Okpoti	<u>329,003</u>	<u>0.37</u>
	<u>1,883,817</u>	<u>2.17</u>

(iii) Key Management staff other than the Board of Directors shareholding as at 31 December 2023

Key management staff also invested in the shares of the Bank. The details are

Mr. Stephen Yemoah Nteful	167,675	0.19%
Mrs. Felicity Baah	203,106	0.23%
Mr. Llewellyn Theophilus Okunka	40,639	0.05%
Mr. Richard Kpodji	50,000	0.06%
Mr. Fred Anim	49,461	0.06%
Mr. Mark Ayeh Anim	34,581	0.04%
Ms. Esther S. A Mensah	407,097	0.46%
Mr. Sani Mohammed	26,612	0.03%
		1.11%

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2023

Notes and significant accounting policies (continued)

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

2. Related company

SARB Service Limited is a 100% Subsidiary of the Bank. During the year there has not been any transaction or balance between the two as the company has ceased operations many years ago.

37. Number of Shareholders

Shareholding Structure

(i) Number of Shares Outstanding

Earnings and dividend per share are based on **88,493,914** (2022: 83,597,935) Ordinary Shares Outstanding).

The Bank Ordinary Shareholders as at 31 December 2023 distributed as follows: -

Mr William Agyenim-Boateng	2,163,002	2.44%
Mr. Joseph Sarpong	2,000,295	2.26%
Mr. Charles Danquah	1,616,049	1.83%
Mr. Minka Kwaku Fordjour	1,410,000	1.59%
Mr. Emmanuel C. Asante-Akufo	1,204,274	1.36%
Others	75,920,424	85.79%
Bonus issue shares	4,179,897	4.72
	88,493,914	100.00%

The Bank disclose the top 5 shareholders of the Bank and put the rest together.

38. Cash flows from operating activities:	2023	2022
Profit before tax	4,878,624	3,092,243
Add: depreciation and amortisation	981,181	628,595
Prior year adjustment	-	(726,232)
Profit on disposal	(46,952)	(40,671)
Tax adjustment	-	126,750
Cash Inflow before changes in working capital	5,812,853	3,080,685
(Increase)/decrease in loans and advances	(4,099,671)	428,355
Decrease in other assets	600,997	787,630
Increase in customer deposit	28,800,148	13,477,327
Increase in accounts payable	1,655,550	689,560
Decrease/(increase) in prepayments	703,745	(335,854)
Cash flows from operating activities before tax paid	33,473,622	18,127,703

39. Prior year adjustment

This relates to corrections made to correct stated capital in the 2022 signed statement of financial position and the notes 28, stated capital.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2023

Notes and significant accounting policies (continued)

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

Value added statement	2,023	2,022
Interest income and other operation income	30,191,557	22,887,971
Direct cost of Services	(14,190,375)	(10,722,119)
Value added by banking services	16,001,182	12,165,852
Non-banking Income	535,769	602,708
Loan impairments	(435,071)	(516,169)
Value added	16,101,880	12,252,391
Distributed as follows:		
To employees: -		
Executive directors	-	-
other employees	10,280,579	8,531,552
	10,280,579	8,531,552
To Government:		
Taxation	1,684,795	745,353
	1,684,795	745,353
To providers of capital:		
Bonus Issue	-	454,337
	-	454,337
To expansion and growth:		
Depreciation and amortisation	942,676	628,595
	942,676	628,595
Retained earnings	3,193,829	1,892,554