

DANGME RURAL BANK LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2020

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

TABLE OF CONTENTS

	PAGE
CORPORATE INFORMATION	1
FINANCIAL HIGHLIGHTS	2
REPORT OF THE DIRECTORS	3
CORPORATE GOVERNANCE REPORT	5
INDEPENDENT AUDITOR'S REPORT	6
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	11
STATEMENT OF CHANGES IN EQUITY	12
STATEMENT OF FINANCIAL POSITION	13
STATEMENT OF CASH FLOW	14
VALUE ADDED STATEMENT	15
NOTES TO THE FINANCIAL STATEMENTS	16

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE INFORMATION

Board of Directors	Nene Affum Kaafra III (Chairman) (Abraham Wilson Tetteh Addo) Hon. Nii Dortey Abotsi III (Vice Chairman) Daniel T. Botchway Ebenezer T. Addico Francis Amanor Tetteh Elizabeth Dede Pardie
Secretary	Daniel T. Botchway
Registered Office	Hse. No. 09/11 Main Road Adjacent the Main Lorry Station Prampram P.O. Box 39 Prampram GAR
Independent Auditor	R-Alliance Consults Chartered Accountants Dansoman P.O. Box AB 106 Abeka - Accra
Principal Bankers	ARB Apex Bank Limited Cal Bank Ghana Limited Ecobank Ghana Limited Fidelity Bank
Company TIN	C0005921775
Company Registration No.	CS 760272015

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020	2019
	GH¢	GH¢
Interest income	<u>6,875,342</u>	<u>6,579,217</u>
Profit/(loss) before tax	<u>(113,904)</u>	<u>347,179</u>
Profit/(loss) after tax	<u>(123,002)</u>	<u>288,564</u>
Total assets	<u>47,237,294</u>	<u>37,415,629</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of the company for the year ended 31 December 2020.

Statement of directors' responsibilities

The Companies Act, 2019 (Act 992) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and the statement of income and expenditure, statement of changes in equity and statement of cash flows of the company for the year. The Directors considered that in preparing the financial statements, they have used appropriate accounting policies, supported by reasonable and prudent judgments and estimates that are in line with International Financial Reporting Standards and complied with Companies Act, 2019 (Act 992).

The Directors are responsible for ensuring that the company keeps accounting records, which disclose reasonable accuracy of the financial position of the company. They are also responsible for taking such steps, which are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the company complies with the laws and regulations applicable to its activities and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any non-compliance that may occur.

Nature of business

The company is authorized to carry on the business of rural and community banking in Ghana.

Financial results

The financial results of the company are set out below:

	2020 GH¢	2019 GH¢
Profit/(Loss) for the year ended 31 December is	<u>(113,904)</u>	<u>347,179</u>
From which is (deducted)/added tax of	<u>(9,098)</u>	<u>(58,615)</u>
Giving a profit/ (loss) after tax for the year of	<u>(123,002)</u>	<u>288,564</u>
Retained earnings as at 31 December	<u>(1,189,943)</u>	<u>(825,425)</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT OF THE DIRECTORS (continued)

Authorized and issued share capital

During the current financial year, 685,385 shares were issued and paid for.

Dividends

The Directors did not propose dividends to shareholders this year.

Auditor

The auditor, R-Alliance Consults, has expressed willingness to continue in office in accordance with Section 139(5) of the Companies Act 2019 (Act 992).

By order of the Board

Director: 
Nene Affum Kaafra III

Director: 
Daniel T. Botchwey

Date:14.....MAY..... 2021

CORPORATE GOVERNANCE REPORT

Introduction

Dangme Rural Bank Limited recognizes the importance of good corporate governance as a means of sustained long-term viability of the business and therefore always seeks to align the attainment of the business objectives with good corporate behavior in line with our corporate vision, values and business principles. Dangme Rural Bank Limited's vision is to provide its customers with the best financial products. The business adopts prudent standard accounting practices and ensures sound internal controls to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

Board of Directors

The responsibility of good corporate governance is in the hands of the Board of Directors and the Management Team. The Board comprises non-executive directors who provide strong oversight of management and the business operations. The Directors are knowledgeable individuals with experience in management and finance.

Systems of internal control, risk management and compliance

Dangme Rural Bank Limited is continuously enhancing its comprehensive risk and control review. This is aimed at both improving the mechanism for identifying and monitoring risk as well as appraising the systems of internal control. The company has effective systems for identifying, managing and monitoring risks. The system of internal controls are implemented and monitored by appropriately trained personnel, suitably segregated as to authority, duties and reporting lines.

The company reviews the business' risk, management practices, compliance with policies, applicable laws and regulations, and assesses the adequacy of systems of internal controls. There are periodic staff and management meetings, layers of reviews and approvals for transactions with top management's involvement.

Code of business ethics

Dangme Rural Bank Limited continues to reinforce communication on a regular basis together with the development and application of complementary procedures so as to eliminate the potential for corrupt and illegal practices on the part of shareholders, directors, employees and contractors.

Opinion

We have audited the financial statements of Dangme Rural Bank Limited, which comprise the statement of financial position as at 31 December 2020, income statement, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Dangme Rural Bank Limited as at 31 December 2020, its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Company's Act 2019 (Act 992) and Specialised Deposit-Taking Institutions Act 2016 (Act 930).

Basis for Opinion

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They are matters to be addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters. The key audit matters below were noted:

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of Loans and Advances</p>	
<p>The measurement of impairment provision is deemed a Key Audit Matter as the amount has a significant impact on the financial performance of the company.</p>	
<p>Loan balance at the end of the year was GH¢15,217,279 (2019: GH¢15,194,891) with total impairment provision of GH¢2,429,189 (2019: GH¢1,995,052).</p>	<p>We focused our testing of the impairment on loans and advances on the key assumptions and inputs made by Management and Directors. Specifically, our audit procedures included:</p>
<p>The basis of the impairment amount is summarised in the Accounting policies in the consolidated financial statements.</p>	<ul style="list-style-type: none"> ● Obtaining an understanding of the loan loss impairment calculation process within the bank;
<p>The Directors exercise significant judgement when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss impairment amounts on loans and advances.</p>	<ul style="list-style-type: none"> ● Testing the design and determining implementation of key controls across the processes relevant to the Expected Credit Loss ('ECL') (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual impairment and processing of journal entries and disclosures);
<p>The bank has implemented IFRS 9, Financial Instruments. This standard requires the bank to recognise Expected Credit Losses ('ECL') on financial instruments, which involves exercise of significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the bank's implementation of IFRS 9 include:</p>	<ul style="list-style-type: none"> ● Assessing the ECL impairment levels by stage to determine if they were reasonable considering the bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment. ● Challenging the criteria used to allocate asset to stage 1, 2 or 3 in accordance with IFRS 9; ● Testing the assumptions, inputs and formulae used in a sample of ECL models ● Testing the data used in the ECL calculation by reconciling to source systems; ● Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards.
<ul style="list-style-type: none"> i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria. iii. Modelling for estimation of ECL parameters <ul style="list-style-type: none"> ▪ probabilities of default (PD) - 12-month and lifetime, ▪ loss given default (LGD), ▪ exposure at default (EAD). iv. Completeness and accuracy of data used to calculate the ECL 	<p>Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by Management and Directors to estimate the amount of loan impairment losses were appropriate in the circumstances.</p>

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' report, as required by the Companies Act 2019 (Act 992), but does not include the financial statements and our auditors' 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 and our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed on the other information, 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.

Responsibilities of Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicated with the Board of Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified from our audit.

Report on other legal requirements

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

- 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;
- Proper books of account have been kept by the company, so far as appears from our examination of those books; and
- The company's statement of financial position and income statement are in agreement with the books of account.


.....
Signed by: Daniel Adjei (ICAG/P/1446)

R - ALLIANCE CONSULTS
CHARTERED ACCOUNTANTS
BOX AB 106, ABEKA - ACCRA
TEL: +233 24 464 6285
Website: www.ralliancegh.com

R-Alliance (ICAG/F/2021/277)
Chartered Accountants
No. 93 Dansoman Road
Accra, Ghana.

..... 17 MAY 2021

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2020	Year ended 31 December 2019
	Notes	GHC	GHC
Interest income	3	6,875,342	6,579,217
Interest expense	4	(1,200,539)	<u>(998,112)</u>
Net interest income		5,674,803	5,581,105
Fees and commissions	5	1,299,424	1,695,837
Other income	6	<u>147,878</u>	<u>74,259</u>
Net interest and other income		7,122,105	7,351,201
Other operating expenses	9	(3,127,424)	(3,146,831)
Personnel expenses	10	(3,365,841)	(3,795,959)
Loan Loss provision	8	(406,136)	496,472
Depreciation and amortization	12	(336,608)	<u>(557,704)</u>
Profit/ (loss) before tax		(113,904)	347,179
Income tax	11	(9,098)	<u>(58,615)</u>
Profit/ (loss) after tax		(123,002)	<u>288,564</u>
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		(123,002)	<u>288,564</u>

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Statutory Reserves	Capital Surplus	Rural Devt. Fund	Building Fund	Deposit for Shares	Credit Risk Reserve	Income Surplus	Total
2020	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC
Bal. at beg	1,323,479	588,661	1,596,602	215,500	245,000	4,169	-	(825,425)	3,147,986
Addition	-	-	-	-	-	338,526	-	-	338,526
Transfer	342,695					(342,695)	241,516	(241,516)	-
Profit/ (loss) for the year	=	=	=	=	=	=	=	(123,002)	(123,002)
Bal as at end	<u>1,666,174</u>	<u>588,661</u>	<u>1,596,602</u>	<u>215,500</u>	<u>245,000</u>	=	<u>241,516</u>	<u>(1,189,943)</u>	<u>3,363,510</u>
2019									
Bal. at beg.	1,015,300	588,661	1,596,602	215,500	245,000	308,179	-	(1,113,989)	2,855,253
Addition	-	-	-	-	-	4,169	-	-	4,169
Transfer	308,179	-	-	-	-	(308,179)	-	-	-
Profit/ (loss) for the year	-	-	-	-	-	-	-	288,564	288,564
Dividend	-	-	-	-	-	-	=	-	-
Bal as at end	<u>1,323,479</u>	<u>588,661</u>	<u>1,596,602</u>	<u>215,500</u>	<u>245,000</u>	<u>4,169</u>	=	<u>(825,425)</u>	<u>3,147,986</u>

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
		GHC	GHC
Assets			
Cash and cash equivalent	13	5,365,038	4,015,995
Investments	14	22,186,823	12,513,919
Loans and advances to customers	17	12,788,090	13,199,839
Investment in securities		66,004	66,004
Current taxation	11	30,865	79,419
Other assets	15	3,617,602	4,377,196
Property, plant and equipment	12	3,182,872	3,163,256
Total assets		47,237,294	37,415,628
Liabilities			
Deposits from customers	18	34,226,070	27,123,014
Fixed Deposit	18	7,334,113	4,770,605
Long Term Borrowing		83,199	310,761
Deferred taxation	11	7,033	49,876
Dividend payable		148,519	147,685
Other liabilities	16	2,074,850	1,865,701
Total liabilities		43,873,784	34,267,642
Equity			
Stated capital	19	1,666,174	1,323,479
Retained earnings		(1,189,943)	(825,425)
Statutory reserves		588,661	588,661
Capital surplus		1,596,602	1,596,602
Rural development fund		215,500	215,500
Building fund		245,000	245,000
Credit risk reserve		241,516	-
Deposit for shares		-	4,169
Total equity		3,363,510	3,147,986
Total equity and liabilities		47,237,294	37,415,628

The notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on14.....MAY.....2021 and signed on its behalf by:

Director: Nene Affum Kaafra III



Director: Daniel T. Botchwey



DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2020 GH¢	Year ended 31 December 2019 GH¢
Operating activities			
Profit/ (Loss) before tax		(113,904)	347,179
Depreciation	12	<u>336,608</u>	<u>557,698</u>
Cash used in operating activities		<u>222,704</u>	<u>904,877</u>
Changes in operating assets and liabilities			
(Increase)/Decrease in loans and advances		411,749	363,463
(Increase)/Decrease in other assets		759,594	200,062
Increase/(Decrease) in deposits from customers		7,103,056	3,232,631
Increase/(Decrease) in fixed deposits		2,563,508	375,147
Increase/(Decrease) in other liabilities		209,149	(2,822,173)
Increase/(Decrease) in dividend payable		834	-
Net changes in operating assets and liabilities		<u>11,047,890</u>	<u>1,349,130</u>
Corporate Tax Paid	11	(3,387)	(7,562)
Net cash generated from operating activities		<u>11,044,503</u>	<u>2,246,445</u>
Investing activities			
Purchase of property, plant and equipment	12	(356,224)	(1,165,004)
Purchase of Investment securities		<u>(9,672,904)</u>	<u>(452,725)</u>
Net cash used in investing activities		<u>(10,029,128)</u>	<u>(1,617,729)</u>
Financing activities			
Dividends paid		-	(100,387)
Deposits for shares		(4,169)	(304,010)
Borrowings		(227,562)	(227,562)
Issue of shares		342,695	308,179
Government support fund		-	<u>(172,410)</u>
Net cash generated from/ (used in) financing activities		<u>110,964</u>	<u>(496,190)</u>
Net (decrease)/ increase in cash and cash equivalent		<u>1,349,043</u>	<u>132,526</u>
Movement in cash and cash equivalent			
At start of year		4,015,995	3,883,469
Net cash changes during the year		<u>1,349,043</u>	<u>132,526</u>
At end of year		<u>5,365,038</u>	<u>4,015,995</u>

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2020	2019
	GHC	GHC
Interest earned and other operating income	8,174,766	8,275,055
Direct cost of service and other costs	<u>(4,024,062)</u>	<u>(3,828,884)</u>
Value added by banking services	4,150,704	4,446,171
Non-banking income	147,878	74,258
Impairments	<u>(406,136)</u>	<u>496,472</u>
Value added	<u>3,892,446</u>	<u>5,016,901</u>
Distributed as follows:		
To employees		
Directors (excluding Executives)	(303,901)	316,059
Other employees	<u>(3,365,841)</u>	<u>3,795,959</u>
	(3,669,742)	4,112,018
To Government		
Income tax expense/Asset	(9,098)	(58,615)
To providers of capital	-	-
Dividend to shareholders	-	-
To expansion and growth		
Depreciation and amortization	(336,608)	557,704
Income surplus	<u>(123,002)</u>	<u>288,564</u>
	<u>3,892,446</u>	<u>5,016,901</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Dangme Rural Bank Limited is a company incorporated under the Companies Act 2019, (Act 992) and domiciled in Ghana.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities measured at fair value through other comprehensive income and fair value through profit and loss and investment properties measured at fair value.

The management of the Bank considers the following to be the most important accounting policies for the Company. In applying these accounting policies, management makes certain judgments and estimates that affect the reported amounts of assets and liabilities at the year-end date and the reported revenues and expenses during the financial year. The financial statements have been prepared in accordance with the company's accounting policies described below. The financial statements are presented in Ghana cedis.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation and amortization are provided on a straight-line basis on all property, plant and equipment over the estimated useful lives.

Furniture, fixtures and equipment:	20.0%
Computer and accessories:	25.0%
Motor vehicle:	33.3%
Freehold land and building:	5.0%
Leasehold land and building:	5.0%

(c) Cash and cash equivalent

Cash and cash equivalent includes cash in hand, deposits held with banks, deposits held at call with banks, other short term highly liquid investments. Bank overdrafts are shown separately under current liabilities on the statement of financial position.

(d) Other liabilities

Other liabilities are initially recognized at fair value and subsequently measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

(e) Income tax

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantially enacted by the statement of financial position date.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments, it's recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change.

(f) Leases

The Company applies IFRS 16 where leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company. The right-of-use asset is presented separately in the statement of financial position, except for right-of-use assets that meet the definition of investment property, which is presented in the statement of financial position in separate line items – “investment property”.

IFRS 16 allows two methods of initial application: (1) full retrospective application with the restatement of comparatives and (2) modified retrospective approach without the restatement of comparatives and with certain simplifications available upon adoption. The Company has elected to use the second approach by implementing the standard retrospectively in relation to all leases in which the Company is a lessee without restating comparatives. The implementation of IFRS 16 will not affect total equity. The adjustments to assets and liabilities are disclosed in the financial statements.

The Company has elected to apply the exemption for low value assets on lease-by-lease basis. The Company has decided that for the leases where the asset is sub-leased, a right-of-use asset is recognized with the corresponding lease liability. For all other leases of low value assets, the lease payment associated with those leases will be recognized as an expense.

NOTES TO THE FINANCIAL STATEMENTS

(g) Provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

(h) Interest income

Interest incomes are recognized at the end of each month a loan remains outstanding.

(i) Foreign currencies

Transactions are recorded on initial recognition in Ghana cedis, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies during the year are converted into Ghana cedis at prevailing rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Ghana cedis at the rates of exchange ruling at the statement of financial position date. The resulting gains and losses are dealt with in the profit or loss account.

(j) Dividend

Dividends on ordinary shares are charged to equity in the period in which they are declared.

(k) Post statement of financial position events

Events subsequent to the statement of financial position date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

(l) Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events, the existence of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Company.

Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

(m) Critical accounting estimates and assumptions

Estimates 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. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

(n) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

(o) Critical judgments in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgment in determining:

- the classification of non-current assets
- whether assets are impaired
- provisions and contingent liabilities

(p) Loans and Advances

Loans and Advances are stated in the statement of financial position at the amount of principal less provisions for loan loss.

Expected Credit Loss Impairment model

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It is effective for annual periods beginning on or after 1 January, 2019, with early application permitted. The bank adopted this standard effective 1 January, 2020 and did not restate comparative information or apply it.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and advances category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(q) Investments

Investments are purchased with the intention of being held to maturity and they are stated at amortised cost. The interest is disclosed separately in interest income.

3. Interest income

This represents income from loans, investments and funds deposited on call with banks.

Interest on loans	5,518,557	5,749,935
Interest on overdrafts	173,852	175,080
Interest on investments	1,182,933	654,202
	<u>6,875,342</u>	<u>6,579,217</u>

4. Interest expense

The represents interest paid on customers' savings and fixed deposit accounts during the period.

Interest on savings accounts	340,377	284,639
Interest on fixed deposits	819,023	633,415
Interest on borrowings	41,139	80,058
	<u>1,200,539</u>	<u>998,112</u>

5. Fees and commissions

This is made up of processing fees for loans and commissions for various services undertaken for customers.

Commission - sundries	36,681	26,153
Processing fee	598,328	534,639
Commission received	-	236,333
Commitment fees	409,697	437,986
Contribution to surety fund	254,718	460,726
	<u>1,299,424</u>	<u>1,695,837</u>

6. Other income

This represents income from:

Bad debt recovery	-	9,887
Recoverable stationery	4,438	3,917
Sundry income	143,440	60,455
	<u>147,878</u>	<u>74,259</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	GH¢	GH¢

7. Other disclosures

Profit for the year is arrived at after charging:

Directors fees	<u>24,500</u>	<u>21,000</u>
Auditor's remuneration	<u>35,438</u>	<u>29,531</u>

8. Loan Loss provision

Provision at beginning	1,995,052	3,143,765
Adjustment during the period	<u>434,137</u>	<u>(1,148,713)</u>
Provision at end	<u>2,429,189</u>	<u>1,995,052</u>
Net impairment on loans and advances:		
Impairment during the period	434,137	(1,148,713)
Bad debt written off	-	652,242
Bad debt recoveries	<u>(28,001)</u>	<u>-</u>
	<u>406,136</u>	<u>(496,472)</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	GH¢	GH¢

9. Operating Expenses

Travel and transportation	509,431	424,558
Board expenses	303,901	316,059
Susu commission	148,600	156,003
Other expenses – susu	5,257	9,180
Newspapers and periodicals	7,383	15,632
Utilities & ICT	709,001	611,006
Entertainment expenses	28,014	41,058
Repairs, fuel and maintenance	597,585	746,703
Printing and stationery	115,577	163,157
Bank charges	35,722	38,891
Donations	10,352	25,621
Rent & Rates	-	87,003
Insurance premium	65,115	79,918
Specie expenses	22,255	25,140
Loan recovery expenses	12,411	4,402
Cleaning and Sanitation	98,744	84,840
Police guard duty allowance	64,690	58,850
Consultancy	71,043	46,745
Advertising and publicity	7,106	15,290
Annual general meeting expenses	65,614	43,817
Annual subscription	41,231	60,457
Out of station	3,750	-
SMS Charges	1,103	-
Attachment - Staff allowance	160	2,430
Scholarship	-	4,300
Cashier transportation	11,530	11,881
Funeral grant	31,375	31,180
Registrar fee	10,878	8,714
GRA PAYE penalty	18,000	33,996
Other expenses – general	116,581	-
Mobilization expenses	5,675	-
Anniversary Expenses	1,340	-
Promotion & development	8,000	-
	<u>3,127,424</u>	<u>3,146,831</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	GHC	GHC

10. Personnel expenses

Salaries & Wages	2,188,472	2,394,382
Medical	119,949	162,765
Staff Provident fund	173,642	182,614
Social Security fund	259,013	271,288
Staff Clothing Allowance	109,230	228,273
Staff and Directors Training Expenses	31,935	75,313
Other Staff Expenses	260,143	208,772
Long Service Award	-	4,456
End of service / Retirement benefit	-	36,550
Lunch subsidy	153,150	159,850
Overtime allowance	1,203	263
Responsibility allowance	69,104	71,433
	<u>3,365,841</u>	<u>3,795,959</u>

11. Taxation

(a) Income tax

	Balance at beginning	Payments	Charge for the year	Balance at end
	GHC	GHC	GHC	GHC
Current income tax	(79,419)	(3,387)	51,941	(30,865)
Deferred income tax	49,876	-	(42,843)	7,033
	<u>(29,543)</u>	<u>(3,387)</u>	<u>9,098</u>	<u>(23,832)</u>

(b) Deferred tax

At start of year	49,876	(8,738)
Income statement (credit)/charge	<u>(42,843)</u>	<u>58,614</u>
At end of year	<u>7,033</u>	<u>49,876</u>

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 25% (2019: 25%). The movement on the deferred income tax account is as follows:

(c) Corporate tax

Year of assessment	Balance b/d	Tax charged	Tax paid	Balance c/f
	GHC	GHC	GHC	GHC
2020	<u>(79,419)</u>	<u>51,941</u>	<u>(3,387)</u>	<u>(30,865)</u>
2019	<u>(71,857)</u>	-	<u>(7,562)</u>	<u>(79,419)</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property, plant and equipment & Intangible assets

	Furniture, Fittings & Equipment	Freehold Land & Building	Computer & Accessories	Motor Vehicles	Leasehold Land & Building	Intangible Asset	CWIP	Right of Use Asset	Total
	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC
Cost									
Balance at beginning	689,355	2,072,148	421,290	538,184	709,237	-	711,690	-	5,141,904
Write-off to expenses	-	-	-	-	-	-	(47,907)	-	(47,907)
Transfer	-	631,964	-	-	-	-	(631,964)	-	-
Additions	26,808	-	28,690	-	-	213,633	-	135,000	404,131
Disposal	-	-	-	-	-	-	-	-	-
Balance@ end	<u>716,163</u>	<u>2,704,112</u>	<u>449,980</u>	<u>538,184</u>	<u>709,237</u>	<u>213,633</u>	<u>31,819</u>	<u>135,000</u>	<u>5,498,128</u>
Depreciation/ Amortization									
Balance at beginning	563,014	375,935	401,727	522,216	115,756	-	-	-	1,978,648
Charge for the year	34,286	135,206	28,923	15,968	35,462	21,363	-	65,400	336,608
Disposal	-	-	-	-	-	-	-	-	-
Balance@ end	<u>597,300</u>	<u>511,141</u>	<u>430,650</u>	<u>538,184</u>	<u>151,218</u>	<u>21,363</u>	<u>-</u>	<u>65,400</u>	<u>2,315,256</u>
Represented by:									
Net book value - 2020	<u>118,863</u>	<u>2,192,971</u>	<u>19,330</u>	<u>-</u>	<u>558,019</u>	<u>192,270</u>	<u>31,819</u>	<u>69,600</u>	<u>3,182,872</u>
Net book value -2019	<u>126,341</u>	<u>1,696,213</u>	<u>19,564</u>	<u>15,968</u>	<u>593,481</u>	<u>-</u>	<u>711,690</u>	<u>-</u>	<u>3,163,256</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	2020	2019
	GH¢	GH¢

13. Cash and cash equivalent

This is made up of cash at hand and bank balances as at the year end.

Cash on hand & e-money	1,950,113	2,184,478
Amount due from other banks	52,268	268
Unrestricted Balance with central bank	1,119,680	121,232
Apex 5% deposit reserve	2,242,977	1,710,017
	<u>5,365,038</u>	<u>4,015,995</u>

14. Investments

This is made up of balances on investment instruments and government short-term securities with other financial institutions.

Treasury Bills	12,000,000	2,402,080
Fixed Deposits	10,186,823	10,111,839
	<u>22,186,823</u>	<u>12,513,919</u>

15. Other assets

Prepaid expenses	-	116,240
Accounts receivable	-	729,444
Uncleared effect	1,542,326	1,331,386
Interagency account	204,938	204,869
Stationery stock	236,730	227,337
ITRAN account	35,974	33,025
*Office account	1,516,540	1,698,564
Insurance prepaid	1,724	16,138
Int. and comm. accrued	79,370	20,193
	<u>3,617,602</u>	<u>4,377,196</u>

*Includes interest receivable from UniSecurities (under receivership) and sundry debtors etc.

16. Other liabilities

Land Lord – Ningo Building	128,501	-
Inv. Income not earned	215,709	42,880
Provisions	145,121	71,220
Other payables	488,055	371,736
Payment order	449,621	1,131,142
Salary cheques	130,094	130,094
Risk management fund	148,850	-
CCC/ACH suspense	43,487	66,719
Office account	325,412	51,910
	<u>2,074,850</u>	<u>1,865,701</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	GH¢	GH¢

17. Loans and advances to customers

Loans to customers	15,217,279	15,194,891
Loan loss provision	(2,429,189)	(1,995,052)
	<u>12,788,090</u>	<u>13,199,839</u>

18. Fixed Deposits/ Deposits from customers

The company takes deposits from customers through savings accounts and fixed deposit instruments. This represents balances on customer accounts at the year end.

Current accounts	10,691,347	8,880,765
Savings accounts	23,534,723	18,242,249
Time/ Fixed deposit	7,334,113	4,770,605
	<u>41,560,183</u>	<u>31,893,619</u>

19. Stated capital

	Quantity	GH¢
Authorized shares	<u>200,000,000</u>	=
Issued for cash	<u>73,220,799</u>	<u>1,666,174</u>

*The company increased its share capital in 2020 to 1,666,174 (2019: GH¢ 1,323,479). The Board of Directors approved the transaction and filed at the Registrar-General's Department.

20. Contingent liabilities

There were no contingent liabilities at the statement of financial position date.

21. Capital commitments

There were no capital commitments at the statement of financial position date.

22. Financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance. Risk management is carried out by the management of the Company under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks. For example, cash requirements are reviewed and any excess funds invested for interest to hedge against loss of value.

Foreign currency risk

The Company does not deal with foreign currencies in their operations and therefore has no direct exposure to foreign currency risk.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is in the business of advancing loans to customers and therefore has a high exposure to credit risk. The Company maintains a provision for loan loss based upon the expected collectability of all loans. Strict credit control is exercised through a robust assessment of customer requests before granting loans, monitoring of customers' loan performance and, when necessary, provision is made for doubtful accounts. As at the year end, management had provided for general credit risk and specific risk exposure based on how long some loans and advances have been outstanding. The table below shows the maximum exposure to credit risk by class of financial instrument:

	2020	2019
	GHC	GHC
Bank balances	5,365,038	4,015,995
Loan to Clients	15,217,279	15,194,891
Investments	22,186,823	12,513,919
Investment in securities (ARB Apex shares)	66,004	<u>66,004</u>
Total credit risk exposure	<u>42,835,144</u>	<u>31,790,809</u>

23. Related party transactions

The following are the transactions between the related parties during the year:

The Directors and Other senior management had deposit accounts with year end balances as follows:

	2020	2019
	GHC	GHC
Loans granted		
Directors	-	-
Staff	2,293,790	<u>894,718</u>
	<u>2,293,790</u>	<u>894,718</u>
Amount of loan balances outstanding:		
Directors	-	3,333
Staff	931,740	<u>2,461,917</u>
	<u>931,740</u>	<u>2,465,250</u>

24. Regulatory disclosures

Liquidity ratio

The bank's liquid assets to total assets at the end of 2020 was 58.47% (2019: 43.66%)

Capital Adequacy ratio

The bank's capital adequacy ratio at the end of 2020 was 3.19% (2019: 6.56%)

Minimum paid-up capital

According to section 28 of the Bank and Specialized Deposit-Taking Institutions Act, 2016 (Act 930), the Bank has met the minimum paid-up capital requirement of GHC 1,000,000 for rural and community banks.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

LIST OF TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2020

	NAME	% HOLDING	NO. OF SHARES
1	BENJAMIN KUSAH	7.32	5,356,125
2	W.G. NARTEY	2.35	1,719,849
3	DANGME RURAL BANK TRUST ACCOUNT	1.37	1,005,591
4	DOE ADJAOTOR	0.84	613,125
5	MODERN GHANA BUILDING LTD	0.81	595,125
6	MODERN GHANA BUILDING LTD	0.81	595,125
7	L. DORA BAMPOE	0.68	495,144
8	J.B. ODONKOR	0.66	478,686
9	A.N. ANTIAYE	0.65	476,100
10	AGNES S. ARMAH	0.65	476,100
11	KPONE COOPERATIVE FISHING LTD	0.65	476,100
12	SALOMEY A. KUSAH	0.65	476,100
13	C.M. MARTEY	0.65	476,100
14	SETH B. MARTEY	0.65	476,100
15	I.M. NARH	0.65	476,100
16	J. TETTEH NARH	0.65	476,100
17	J. TEYE NARH	0.65	476,100
18	J.A. NARH	0.65	476,100
19	P.A. NARH	0.65	476,100
20	E.A. NARTEY	0.65	476,100
		22.64	16,571,970
	OTHERS	77.36	56,650,079
		100.00	73,222,049

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

ANALYSIS OF SHAREHOLDING AS AT 31 DECEMBER 2020

CATEGORY	NO. OF SHAREHOLDERS	NO. OF SHARES	% HOLDING
1 - 50,000	5,091	24,630,382	33.63
50,001 - 100,000	141	10,550,268	14.41
100,001 - 1,000,000	145	29,959,834	40.91
1,000,001 & Above	3	8,081,565	11.03
		73,222,049	100

LIST OF DIRECTORS WHO HELD SHARES DURING THE YEAR

NAME	% HOLDING	NO. OF SHARES
ABRAHAM WILSON TETTEH ADDO	0.1002	73,345
DANIEL TEYE BOTCHWAY	0.0081	6,000
EBENEZER ADDICO	0.0081	6,000
FRANCIS AMANOR TETTEH	0.0087	6,423
ELIZABETH DEDE PARDIE	0.1366	10,000
NII DORTEY ABOTSI III	0.3084	225,813