

DANGME RURAL BANK LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2019

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CORPORATE INFORMATION

Board of Directors	Abraham Wilson Tetteh Addo (Chairman) (Nene Affum Kaafra III) Hon. Nii Dortey Abotsi III (Vice Chairman) Daniel T. Botchway Ebenezer T. Addico ¹ Francis Amanor Tetteh ² Elizabeth Dede Pardie ³ Joseph Benjamin Teye Nartey ⁴
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 Access Bank Ghana Ecobank Ghana Limited Fidelity Bank
Company TIN	C0005921775
Company Registration No.	CS 760272015

¹ Yet to receive BoG approval

² Yet to receive BoG approval

³ Received BoG approval in 2018 but yet to be registered with RGD

⁴ Resigned (not re-elected) in 2018 but yet to be excluded from RGD documents

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019	2018
	GH¢	GH¢
Interest income	<u>6,579,217</u>	<u>7,947,197</u>
Profit/(loss) before tax	<u>347,179</u>	<u>(1,625,001)</u>
Profit/(loss) after tax	<u>288,564</u>	<u>(1,579,306)</u>
Total assets	<u>37,415,629</u>	<u>36,787,772</u>
Dividend declared	<u>=</u>	<u>199,701</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of the company for the year ended 31 December 2019.

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:

	2019	2018
	GH¢	GH¢
Profit/(Loss) for the year ended 31 December is	347,179	(1,625,001)
From which is (deducted)/added tax of	<u>(58,615)</u>	<u>45,695</u>
Giving a profit/ (loss) after tax for the period of	288,564	(1,579,306)
Dividend declared	-	<u>(199,701)</u>
Retained earnings as at 31 December	<u>288,564</u>	<u>(1,113,989)</u>

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

REPORT OF THE DIRECTORS (continued)

Authorized and issued share capital

During the current financial year, 613,886 shares were issued and paid for.

Dividends

The Directors do not propose dividends to shareholders this year (2018: GH¢ 199,701).

Full Compliance with International Financial Reporting Standards (IFRS)

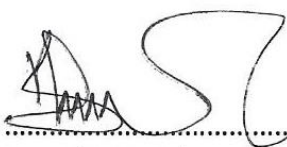
We began a journey towards full compliance with IFRS sometime back. During the year, it took steam with further engagements with ARB Apex Bank, which had started a process of supporting rural banks with required training and assistance leading to engagement of Deloitte & Touche. We will vigorously pursue this and ensure the bank's financial statements and underlying records are in full compliance with the IFRS financial reporting framework.

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 Kaafr III

Director: 
.....
Daniel T. Botchwey

Date: 
..... 2020

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.

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

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements, give a true and fair view of the financial position of Dangme Rural Bank Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992).

We have audited the financial statements of Dangme Rural Bank Limited, which comprise the statement of financial position as at 31 December 2019, 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.

Basis for Qualified Opinion

The Company’s loans and advances are carried in the statement of financial position at GH¢ 13,199,839 (2018: GH¢ 13,563,302). Management has not stated the loans and advances after impairment loss recognition in line with IFRS but has stated them per Bank of Ghana prudential requirements, which constitutes a departure from IFRS 9 – Financial Instruments.

The Company’s Total Assets are carried in the statement of financial position at GH¢ 37,415,629 (2018: GH¢ 36,787,772). Management has not stated the Total Assets after recognising “Right of Use Assets” in line with IFRS but has stated them as Rent Prepaid amounting to GH¢ 116,240 (2018: GH¢ 135,793), included in Total Assets, which constitutes a departure from IFRS 16 – Leases.

An amount totalling GH¢ 237,894 (DR) and GH¢ 254,474 (CR) included Other Assets and Other Liabilities respectively are outstanding and yet to be reconciled. Accordingly, we do not have assurance on the effect of the unreconciled figures. The details of the amounts are as follows:

Account	Amount - GH¢
Interagency account	204,869
Ezwich cash control Account	33,025
Total	237,894 (DR)
Ezwich operations	254,474 (CR)

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

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Loan Loss Provision

Loan balance at the end of the year was GH¢ 15,141,420 (2018: GH¢ 16,707,067) with total general impairment provision of **GH¢ 1,995,052** (2018: GH¢ 3,143,765).

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.

The Bank of Ghana model for assessment of loan loss provision was used as follows:

Category	Duration of loan delinquency	Rate of provision
Current	Less than 30 days	1%
OLEM	From 30 to less than 90days	10%
Substandard	From 90 to less than 180days	25%
Doubtful	From 180 to less than 360 days	50%
Loss	From 360 days and above	100%

How the matter was addressed in our audit:

- We evaluated the appropriateness of the accounting policies based on the requirements of Bank of Ghana’s guidelines;
- We evaluated the adequacy of the disclosures made in the financial statements to ensure that adjustments were accurate and complete;
- We performed substantive testing to obtain evidence of timely identification of exposures with significant increase in risk and timely identification of loan impairment exposures;
- We conducted substantive testing to support appropriate determination of impairment provision and likelihood of future cash flows on impaired exposures.
- We proposed and agreed appropriate adjustments with Management.

Financial Reporting Standards

The Institute of Chartered Accountants, Ghana (ICAG) adopted International Financial Reporting Standards (IFRS) for financial statements from 2007. Subsequently, the institute withdrew Ghana National Accounting Standards in 2015 requesting Public Interest Entities to adopt full IFRS and non-PIEs to adopt IFRS for SMES from 31 Decmeber 2015. The bank is yet to adopt IFRS 9 and IFRS 16.

We discussed full adoption of IFRS with management but they indicate that engagements with ARB Apex Bank are far advanced and Deloitte has been contracted to support them towards full compliance with IFRS standards in line with general consensus from other rural banks.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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.
- 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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

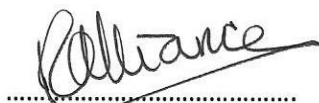
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we 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)

For and on behalf of:
R-Alliance (ICAG/F/2020/277)
Chartered Accountants
No. 93 Dansoman Road
Asoredanho - Dansoman
Accra, Ghana.

30TH OCTOBER 2020

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

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2019	Year ended 31 December 2018
	Notes	GH¢	GH¢
Interest income	3	6,579,217	7,947,197
Interest expense	4	(998,112)	(1,030,635)
Net interest income		5,581,105	6,916,562
Fees and commissions	5	1,695,837	1,219,539
Other income	6	74,259	61,200
Net interest and other income		7,351,201	8,197,301
Other operating expenses	9	(3,146,831)	(3,032,028)
Personnel expenses	10	(3,795,959)	(4,381,936)
Loan Loss provision	8	496,472	(2,136,178)
Depreciation and amortization	12	(557,704)	(272,160)
Profit/ (loss) before tax		347,179	(1,625,001)
Income tax		(58,615)	45,695
Profit/ (loss) for after tax		288,564	(1,579,306)
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		288,564	(1,579,306)

The notes form an integral part of these financial statements.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF CHANGES IN EQUITY

	Stated Capital	Statutory Reserves	Capital Surplus	Rural Devt. Fund	Building Fund	Deposit for Shares	Income Surplus	Total
2019	GHC	GHC	GHC	GHC	GHC	GHC	GHC	GHC
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>
2018								
Bal. at beg.	551,882	588,661	1,596,602	215,500	245,000	464,654	665,018	4,327,317
Addition						306,943		306,943
Transfer	463,418	-	-	-	-	(463,418)	-	-
Profit/ (loss) for the year	-	-	-	-	-	-	(1,579,306)	(1,579,306)
Dividend	-	-	-	-	-	-	(199,701)	(199,701)
Bal as at end	<u>1,015,300</u>	<u>588,661</u>	<u>1,596,602</u>	<u>215,500</u>	<u>245,000</u>	<u>308,179</u>	<u>(1,113,989)</u>	<u>2,855,253</u>

The notes form an integral part of these financial statements.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

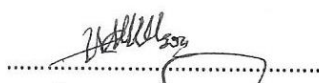
STATEMENT OF FINANCIAL POSITION

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Assets		GHC	GHC
Cash and cash equivalent	13	4,015,995	3,883,469
Investments	14	12,513,919	12,061,194
Loans and advances to customers	17	13,199,839	13,563,302
Investment in securities		66,004	66,004
Deferred taxation	11	-	8,738
Current taxation	11	79,419	71,857
Other assets	15	4,377,196	4,577,258
Property, plant and equipment	12	3,163,256	2,555,950
Total assets		37,415,628	36,787,772
Liabilities			
Deposits from customers	18	27,123,014	23,890,382
Fixed Deposit	18	4,770,605	4,395,458
Long Term Borrowing		310,761	538,323
Deferred taxation	11	49,876	-
Government support fund		-	172,410
Dividend payable		147,685	248,072
Other liabilities	16	1,865,701	4,687,874
Total liabilities		34,267,642	33,932,519
Equity			
Stated capital	19	1,323,479	1,015,300
Retained earnings		(825,425)	(1,113,989)
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
Deposit for shares		4,169	308,179
Total equity		3,147,986	2,855,253
Total equity and liabilities		37,415,628	36,787,772

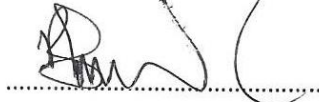
The notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 28th DECEMBER 2020 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 2019

STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2019 GH¢	Year ended 31 December 2018 GH¢
Operating activities			
Profit before tax		347,179	(1,625,001)
Depreciation	12	557,698	272,160
Loan loss provision		-	1,193,457
Cash used in operating activities		<u>904,877</u>	<u>(159,384)</u>
Corporate Tax Paid			
		(7,562)	(69,635)
Changes in operating assets and liabilities			
(Increase)/Decrease in loans and advances		363,463	(2,049,011)
(Increase)/Decrease in other assets		200,062	(2,313,293)
Increase/(Decrease) in deposits from customers		3,232,631	2,311,919
Increase/(Decrease) in fixed deposits		375,147	640,105
Increase/(Decrease) in other liabilities		<u>(2,822,173)</u>	<u>(1,798,841)</u>
Net changes in operating assets and liabilities		<u>1,349,130</u>	<u>(3,209,121)</u>
Net cash generated from operating activities			
		<u>2,246,445</u>	<u>(3,438,140)</u>
Investing activities			
Purchase of property, plant and equipment	12	(1,165,004)	(982,986)
Purchase of Investment securities		<u>(452,725)</u>	<u>(12,082,598)</u>
Net cash used in investing activities		<u>(1,617,729)</u>	<u>(13,065,584)</u>
Financing activities			
Dividends paid		(100,387)	(11,047)
Deposits for shares		(304,010)	306,943
Borrowings		(227,562)	238,323
Issue of shares		308,179	-
Government support fund		(172,410)	-
Prior period adjustments		-	<u>(36,177)</u>
Net cash generated from/ (used in) financing activities		<u>(496,190)</u>	<u>498,042</u>
Net (decrease)/ increase in cash and cash equivalent			
		<u>132,526</u>	<u>(16,005,682)</u>
Movement in cash and cash equivalent			
At start of year		3,883,469	19,889,151
Net cash changes during the year		<u>132,526</u>	<u>(16,005,682)</u>
At end of year		<u>4,015,995</u>	<u>3,883,469</u>

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2019	2018
	GH¢	GH¢
Interest earned and other operating income	8,275,055	9,166,736
Direct cost of service and other costs	<u>(3,828,884)</u>	<u>(3,956,984)</u>
Value added by banking services	4,446,171	5,209,752
Non-banking income	74,258	61,200
Impairments	<u>496,472</u>	<u>(2,136,178)</u>
Value added	<u>5,016,901</u>	<u>3,134,774</u>
<i>Distributed as follows:</i>		
To employees		
Directors (excluding Executives)	316,059	105,679
Other employees	<u>3,795,959</u>	<u>4,381,936</u>
	4,112,018	4,487,615
To Government		
Income tax expense	58,615	45,695
To providers of capital		
Dividend to shareholders	-	199,701
To expansion and growth		
Depreciation and amortization	557,704	272,160
Income surplus	<u>288,564</u>	<u>1,579,306</u>
	<u>5,016,901</u>	<u>3,134,774</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 on the historical cost basis. They have been prepared in accordance with International Financial Reporting Standards. 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%
Computer and accessories:	25%
Motor vehicle:	33.3%
Freehold land and building:	5%
Leasehold land and building:	5%

(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 OCI 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

Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between financing charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized with the Company's policy on borrowing costs. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of such assets or the lease period. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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.

(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.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
	GH¢	GH¢

3. Interest income

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

Interest on loans	5,749,935	5,357,065
Interest on overdrafts	175,080	-
Interest on investments	654,202	2,590,132
	<u>6,579,217</u>	<u>7,947,197</u>

4. Interest expense

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

Interest on savings accounts	284,639	275,435
Interest on fixed deposits	633,415	632,616
Interest on borrowings	80,058	122,584
	<u>998,112</u>	<u>1,030,635</u>

5. Fees and commissions

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

Commission - sundries	26,153	28,326
Processing fee	534,639	557,925
Commission received	236,333	133,926
Commitment fees	437,986	499,362
Contribution to surety fund	460,726	-
	<u>1,695,837</u>	<u>1,219,539</u>

6. Other income

This represents income from:

Bad debt recovery	9,887	1,019
Recoverable stationery	3,917	4,783
Sundry income	60,455	33,994
Changes in investment securities	-	21,404
	<u>74,259</u>	<u>61,200</u>

7. Other disclosures

Profit for the year is arrived at after charging:

Directors fees	21,000	20,750
Auditor's remuneration	29,531	32,000

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	GH¢	GH¢

8. Loan Loss provision

Provision at beginning	3,143,765	1,950,308
Adjustment during the period	<u>(1,148,713)</u>	<u>1,193,457</u>
Provision at end	<u>1,995,052</u>	<u>3,143,765</u>
Net impairment on loans and advances		
Impairment during the period	<u>(1,148,713)</u>	1,193,457
Bad debt written off	<u>652,242</u>	<u>942,721</u>
	<u>(496,472)</u>	<u>2,136,178</u>

9. Operating Expenses

Travel and transportation	424,558	431,941
Board expenses	316,059	190,405
Susu commission	156,003	155,725
Other expenses – susu	9,180	47,057
Newspapers and periodicals	15,632	13,900
Utilities & ICT	611,006	537,546
Entertainment expenses	41,058	73,126
Repairs, fuel and maintenance	746,703	680,866
Printing and stationery	163,157	136,432
Bank charges	38,891	41,106
Donations	25,621	50,780
Rent & Rates	87,003	88,079
Insurance premium	79,918	78,865
Specie expenses	25,140	22,270
Loan recovery expenses	4,402	8,499
Cleaning and Sanitation	84,840	82,966
Police guard duty allowance	58,850	32,405
Consultancy	46,745	51,370
Advertising and publicity	15,290	7,900
Annual general meeting expenses	43,817	89,158
Annual subscription	60,457	44,069
Attachment - Staff allowance	2,430	2,690
Scholarship	4,300	16,053
Cashier transportation	11,881	10,642
Funeral grant	31,180	19,597
Registrar fee	8,714	14,044
GRA PAYE penalty	33,996	-
Other expenses – general	-	76,822
Mobilization expenses	-	2,285
Staff end of year durbar	-	<u>25,430</u>
	<u>3,146,831</u>	<u>3,032,028</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	GH¢	GH¢

10. Personnel expenses

Salaries & Wages	2,394,382	2,567,269
Medical	162,765	168,729
Staff Provident fund	182,614	171,520
Social Security fund	271,288	253,792
Staff Clothing Allowance	228,273	204,610
Staff and Directors Training Expenses	75,313	52,886
Other Staff Expenses	208,772	355,991
Long Service Award	4,456	50,864
End of service / Retirement benefit	36,550	44,220
Lunch subsidy	159,850	90,980
Overtime allowance	263	2,390
Responsibility allowance	71,433	63,569
Staff Bonus	-	<u>355,116</u>
	<u>3,795,959</u>	<u>4,381,936</u>

11. Taxation

(a) Income tax

	Balance at beginning	Payments	Charge for the year	Balance at end
Current income tax	(71,857)	(7,562)	-	(79,419)
Deferred income tax	<u>(8,738)</u>	-	<u>58,614</u>	<u>49,876</u>
	<u>(80,595)</u>	<u>(7,562)</u>	<u>58,614</u>	<u>(29,543)</u>

(b) Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 25% (2018: 25%). The movement on the deferred income tax account is as follows:

	2019	2018
At start of year	(8,738)	36,957
Income statement (credit)/charge	<u>58,614</u>	<u>(45,695)</u>
At end of year	<u>49,876</u>	<u>(8,738)</u>

(c) Corporate tax

Year of assessment	Balance b/d	Tax charged	Tax paid	Balance c/f
	GH¢	GH¢	GH¢	GH¢
2019	<u>(71,857)</u>	=	<u>(7,562)</u>	<u>(79,419)</u>
2018	<u>(2,222)</u>	=	<u>(69,635)</u>	<u>(71,857)</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. Property, plant and equipment & Intangible assets

	Furniture, Fittings & Equipment	Freehold Land & Building	Computer & Accessories	Motor Vehicles	Leasehold Land & Building	CWIP	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cost							
Balance at beginning	648,126	1,766,148	395,205	538,184	629,237	-	3,976,900
Additions	41,229	306,000	26,085	-	80,000	711,690	1,165,004
Disposal	-	-	-	-	-	-	-
Balance at end	<u>689,355</u>	<u>2,072,148</u>	<u>421,290</u>	<u>538,184</u>	<u>709,237</u>	<u>711,690</u>	<u>5,141,904</u>
Depreciation/ Amortization							
Balance at beginning	425,143	272,328	300,184	343,001	80,294	-	1,420,950
Charge for the year	137,871	103,607	101,543	179,215	35,462	-	557,698
Disposal	-	-	-	-	-	-	-
Balance at end	<u>563,014</u>	<u>375,935</u>	<u>401,727</u>	<u>522,216</u>	<u>115,756</u>	<u>-</u>	<u>1,978,648</u>
Represented by:							
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>711,690</u>	<u>3,163,256</u>
Net book value - 2018	<u>222,983</u>	<u>1,493,820</u>	<u>95,021</u>	<u>195,133</u>	<u>548,943</u>	<u>-</u>	<u>2,555,950</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	2019	2018
	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	2,184,478	1,726,172
Amount due from other banks	268	7,922
Unrestricted Balance with central bank	121,232	645,051
Apex 5% deposit reserve	<u>1,710,017</u>	<u>1,504,324</u>
	<u>4,015,995</u>	<u>3,883,469</u>

14. Investments

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

Treasury Bills	12,002,080	11,614,000
Shares and Others	<u>511,839</u>	<u>446,194</u>
	<u>12,513,919</u>	<u>12,061,194</u>

15. Other assets

Prepaid expenses	116,240	135,793
Accounts receivable	729,444	2,049,454
Uncleared effect	1,331,386	983,434
Interagency account	204,869	224,712
Stationery stock	227,337	194,190
Ezwich cash control	33,025	892,379
*Office account	1,698,564	97,296
Insurance prepaid	16,138	-
Int. and comm. accrued	<u>20,193</u>	<u>-</u>
	<u>4,377,196</u>	<u>4,577,258</u>

*Includes interest receivable from UniSecurities (under receivership) GHS 1,524,505 and sundry debtors etc.

16. Other liabilities

Inv. Income not earned	42,880	1,620
Provisions	71,220	20,817
Other payables	117,262	844,588
E-zwich operations	254,474	254,474
Payment order	1,131,142	2,962,682
Salary cheques	130,094	212,282
CCC/Ach suspense	66,719	-
Office account	<u>51,910</u>	<u>391,411</u>
	<u>1,865,701</u>	<u>4,687,874</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	GH¢	GH¢

17. Loans and advances to customers

Loans	12,770,776	14,588,314
Overdraft	<u>2,424,115</u>	<u>2,118,753</u>
	15,194,891	16,707,067
Loan loss provision	<u>(1,995,052)</u>	<u>(3,143,765)</u>
	<u>13,199,839</u>	<u>13,563,302</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	8,880,765	7,633,649
Savings accounts	18,242,249	16,256,733
Time/ Fixed deposit	<u>4,770,605</u>	<u>4,395,458</u>
	<u>31,893,619</u>	<u>28,285,840</u>

19. Stated capital

	Quantity	GH¢
Authorized shares	<u>200,000,000</u>	-
Issued for cash	<u>72,535,414</u>	<u>1,323,479</u>

*The company increased its share capital in 2019 to 1,323,478 (2018: GH¢ 1,015,300). 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. Events after the reporting period

The World Health Organization declared the Coronavirus Disease (COVID-19) a global pandemic on 11 March 2020. The President of the Republic of Ghana instituted a number of measures to curb the spread of the virus on 15 March 2020 following six (6) confirmed cases. These measures were escalated to a partial lockdown of Greater Accra, Tema and Greater Kumasi Metropolitan areas from 30 March 2020 to 19 April 2020.

In light of the above, Dangme Rural Bank Limited has triggered certain measures to ensure the company continues to operate and provide services to clients while observing all the necessary COVID -19 protocols. The situation will be monitored and the required actions taken in line with the directives issued by the Government. The potential impact of the COVID-19 pandemic on the

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Bank's performance for 2020 will be assessed on a continuous basis based on the development of the pandemic.

The effect of these events have been incorporated in the financial statements as appropriate.

23. 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 minimise 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.

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 specific 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:

	2019	2018
	GHC	GHC
Bank balances	4,015,995	3,883,469
Loan to Clients	13,798,610	13,563,302
Investments	12,513,919	12,061,194
Investment in securities (ARB Apex shares)	<u>66,004</u>	<u>66,004</u>
Total credit risk exposure	<u>30,394,528</u>	<u>29,573,969</u>

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. 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:

	2019	2018
	GHC	GHC
Loans granted		
Directors	-	-
Staff	<u>894,718</u>	<u>716,700</u>
	<u>894,718</u>	<u>716,700</u>
Amount of loan balances outstanding:		
Directors	3,333	8,333
Staff	<u>2,461,917</u>	<u>1,738,008</u>
	<u>2,465,250</u>	<u>1,746,341</u>

25. Regulatory disclosures

Non-performing loans ratio

Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 12.92% (2018: 12.57%).

Amount of loans written-off

Bad debt written off during the year amounted to GHC 652,242. This represents final part of an amount of GHS 1,594,963 approved by BoG as write-off.

Liquidity ratio

The bank's liquid to total assets at the end of 2019 was 43.66 (2018: 43.52)

Capital Adequacy ratio

The bank's capital adequacy ratio at the end of 2019 was 6.56% (2018: -0.47%)

Minimum paid-up capital

According to section 28 of the Bank and Specialised 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 2019

List of top 20 shareholders as at 31 December 2019

	NAME	% HOLDING	NO. OF SHARES
1	BENJAMIN KUSAH	7.38	5,356,125
2	W.G. NARTEY	2.37	1,719,849
3	DANGME RURAL BANK TRUST ACCOUNT	1.39	1,005,591
4	DOE ADJAOTOR	0.85	613,125
5	MODERN GHANA BUILDING LTD	0.82	595,125
6	MODERN GHANA BUILDING LTD	0.68	495,144
7	L. DORA BAMPOE	0.66	478,686
8	J.B. ODONKOR	0.66	476,100
9	A.N. ANTIAYE	0.66	476,100
10	AGNES S.ARMMAH	0.66	476,100
11	KPONE COOPERATIVE FISHING LTD	0.66	476,100
12	SALOMEY A. KUSAH	0.66	476,100
13	C.M. MARTEY	0.66	476,100
14	SETH B. MARTEY	0.66	476,100
15	I.M.NARH	0.66	476,100
16	J. TETTEH NARH	0.66	476,100
17	J. TEYE NARH	0.66	476,100
18	J.A. NARH	0.66	476,100
19	P.A. NARH	0.66	476,100
20	E.A. NARTEY	0.66	476,100
		22.68	16,452,945
	OTHERS	77.32	56,082,669
		100.00	72,535,614

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Analysis of Shareholding as at 31 December 2019

Category	No. of shareholders	No. of shares	% Holding
1-50,000	3,114	23,943,947	33.0
50,001-100,000	141	10,550,268	14.5
100,001-1,000,000	145	29,959,834	41.3
1,000,001 & Above	3	8,081,565	11.2
		72,535,614	100

List of Directors who held shares during the year

Name	% Holding	No. of shares
Abraham Wilson Tetteh Addo	0.0014	102,945
Daniel Teye Botchway	0.0012	84,245
Ebenezer Addico	0.0007	53,640
Francis Amanor Tetteh	0.0020	148,010
Elizabeth Dede Pardie	0.0001	7,000
Nii Dorte Abotsi III	0.0033	239,265