ENYAN DENKIRA RURAL BANK LTD

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

K AND A ACCOUNTING SERVICES
CHARTERED ACCOUNTANTS
P.O.BOX 8361
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ENYAN DENKIRA RURAL BANK LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

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ENYAN DENKIRA RURAL BANK LTD

BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

BOARD OF DIRECTORS:

Dr. John Kofi Mensah	Chairman
Mr. John Micah Dadzie	Member
Mr. Ekow Nkrumah	Member
Dr. Augustina Araba Amissah	Member
Mr. Siisi Crentsil	Member
Mr. Matthew Ewudzie Arthur	Member
Mr. Frank Jones Abban	Member
Mr. Kojo Essamuah Sam-Woode	Member

COMPANY SECRETARY: Mr. John Micah Dadzie

AUDITORS:
K. and A. Accounting Services
49 Boundary Road (Coastal)
Off Spintex Road, Baatsonaa Accra
P. O. BOX 8361, Accra North

REGISTERED OFFICE:
House No. 2029
P. O. Box 15
Enyan Denkyira

BANKERS:
ARB Apex Bank Ghana Limited
Agricultural Development Bank

ENYAN DENKIRA RURAL BANK LTD
REPORT OF THE DIRECTORS

The Directors have the pleasure in submitting their Fortieth (40th) annual report together with the Statement of Financial Position as at 31^{st} December 2021; the Statement of Comprehensive Income for the year ended December 2021, Statement of Cash flows as at 31^{st} December 2021 and Statement of Changes in Equity as at 31^{st} December 2021.

Directors' Responsibilities

The Companies Act 2019 - Act 992, requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the profit and loss of the Bank for that period.

The Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) requires every bank to prepare annually as at 31^{st} December of each year financial statements and returns in accordance with that Act.

In preparing these financial statements, the Directors are required to:

- Select accounting policies, which comply with the Companies Act 2019 - Act 992 (as amended) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with International Financial Reporting Standards and to apply them consistently;

- Make judgments and estimates that are reasonable and prudent;

- Ensure applicable accounting standards have been followed and any material departures disclosed.

- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply with the Companies Act 2019 - Act 992), the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930), Anti-Money Laundering Act,2008 (Act749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874) and the International Financial Reporting Standards (IFRS).

They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

The above statement which should be read in conjunction with the statement of the auditor's responsibilities set out on page 1 is with the view of distinguishing for the shareholders the respective responsibilities of the Directors and the Auditors in relation to the financial statements.

- **Principal Activities**

The principal activities carried out by the Bank during the year under review are within the limits permitted by its Regulations and also consistent with its strategic focus. There were no changes in the principal activities of the Bank during the year.

- **Operational Results**

The results of operations for the year ended 31st December, 2021 are set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the Notes to the financial statements from page 4 to 25.

A summary of the results is as follows:

	2021	2020
	GH₵	GH₵
Profit (loss) before tax is	564,492	(29,998)
from which is deducted taxation of	(205,908)	(123,223)
given a profi (loss) for the year after taxation	**358,584**	(153,221)
to which is added bal. b/f on retained earnings of	285,030	516,198
from which prior year adjustment is deducted from	-	(77,947)
given a balance before distribution of	**643,614**	**285,030**
transfer to statutory reserve fund of	(89,646)	-
transfer to Stated Capital of	-	-
out of which is dividend paid of	-	-
leaving a balance c/f on retained earnings of	**553,968**	**285,030**

- **Going Concern**

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

- **Events after reporting date**

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

- **Directors' interest in contracts**

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

- **Appointment of Auditors**

Messrs K and A Accounting Services are willing to continue in office as auditors to the Bank for the ensuing year in accordance with the provision of Section 139 (5) of Ghana Companies Act 2019-Act 992. The Directors hereby recommend their re-appointment.

……………………………………….	…………………………………..
CHAIRMAN	**DIRECTOR**
DATE:	DATE:

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ENYAN DENKYIRA RURAL BANK LTD

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Enyan Denkyira Rural Bank Limited which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of cash flows, and the statement of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements show a true and fair view of the financial position as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the Companies Act, 2019-Act 992, the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749), the International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Responsibilities of Management and Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Bank's financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

- evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with Management and Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019 - Act 992 requires that in carrying out audit we report on the following:

We confirm that:

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

ii. In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books, and

iii. The statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows are in agreement with the books of account.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby certify that:

i. The financial statements give a true and fair view of the state of affairs as at 31 December 2021 of the Bank and the results for the year ended on that date.

ii. We obtained all the information and explanation required for the efficient performance of our audit.

iii. The transactions of the Bank are within their powers; and

iv. The Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930); the Anti-Money Laundering Act, 2008 (Act 749) and the Anti-Terrorism Act, (Act 762).

K. and A. Accounting Services (ICAG/F/2021/089)
(Chartered Accountants)
Partner Signing: Samuel Wilson Ampah
License Number (ICAG/P/1074)
49 Boundary Road (Coastal)
Off Spintex Road, Baatsonaa (Accra) **Date: …………………………….2022**

ENYAN DENKYIRA RURAL BANK LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDE 31ST DECEMBER 2021

1.0 CORPORATE INFORMATION

1.1 Registration and Nature of Business

Enyan Denkyira Rural Bank Ltd is a company registered under the Companies Act 2019, (Act 992).
Its headquarters is in Enyan Denkyira in the Central Region and has two (2) agencies and three (3) mobilization centers located in Enyan Denkyira, Ajumako, Besease, Mankessim and Abaasa respectively. The nature of the business the bank is authorized to carry on includes the provision of current and deposit as well as savings and time deposit accounts for its customers. It also acts as agent of the other financial institutions in the country, accepts and discounts bills of exchange and provides finance for small scale farmers, merchants, industrialists, etc.

1.2 Compliance with International Financial Reporting Standards (IFRSs)

The bank's financial statements have been prepared in accordance with IFRSs in force as of the reporting date.
International Financial Reporting Standards (IFRSs) comprise IFRS 1 to 16 and International Accounting Standards (IAS) 1 to 41.

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by Enyan Denkyira Rural Bank Ltd in the preparation of the financial statements are set out below:

2.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the adoption of fair value measurement basis for assets and liabilities in compliance with IFRS requirements.

2.2 Functional and Presentation Currency

The financial statements are presented in Ghana Cedi (GH₵) which is the functional and presentation currency of the Bank.

2.3 Revenue Recognition

Revenue is recognized to the extent that the economic benefit will flow to the bank and can be reliably measured. The following specific income recognition criteria have been applied in the financial statements.

i. Interest Income and expenses are recognized on interest bearing assets and liabilities on accrual basis.
ii. Commissions and fees income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees and placement fees, are recognized as the related services are performed.
When a loan commitment is not expected to result in the draw-down of the loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

2.4 Income Tax

Income Tax in the Profit and Loss Account comprises current tax and deferred tax. Current tax is the tax expected to be payable, under the Internal Revenue Act 2015 (Act 896) as amended, on the taxable profit for the year.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the rate expected to be applicable in the period during which the asset will be realized or the liabilities settled.
Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities and relate to income taxes of the same taxation authority, and when a legal right to set off exists. The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available for full or partial utilization of the deferred tax asset.

2.5 Financial Instruments

(a) Initial Recognition and Measurement

Financial instruments are recognized initially when the bank becomes a party to the contractual provisions of the instruments.
The bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the instrument. These are initially measured at fair value (including transaction costs for assets and liabilities not measured at fair value through profit or loss).

(b) Subsequent Measurement

For purposes of subsequent measurement financial assets and financial liabilities are classified as:
(a) Financial assets measured at fair value through profit or loss account
(b) Financial liabilities at fair value through profit or loss account
(c) Financial assets measured at amortized cost
(d) Financial liabilities measured at amortized cost
(e) Financial assets measured at fair value through other comprehensive income.

A financial asset is measured at amortized cost if both the following conditions are met:
(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
A financial asset or financial liability at fair value through profit or loss is one that either:
(a) Is designated as such upon initial recognition, or
(b) Meets the recognition of 'held for trading'

A financial asset or financial liability is deemed to be 'held for trading' if
(i) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term,
(ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging contract).

Financial assets and financial liabilities at amortized cost are measured, subsequent to initial recognition, at amortized cost using the 'effective interest method'. The 'effective interest method' is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Financial assets and liabilities at fair value through profit or loss are measured, subsequent to initial recognition, at fair value with gains or losses recognized in profit or loss.

Financial assets and liabilities at fair value through other comprehensive income are measured, subsequent to initial recognition, at fair value with gains or losses recognized in the comprehensive income.

The foregoing classification of financial instruments for purposes of subsequent measurement, are spelt out in IFRS 9 'Financial Instruments' which became effective for annual periods beginning on or after 1st January 2015.
The adoption of this classification in accordance with IFRS 9 'Financial Instruments Disclosures' amounts to be early adoption of IFRS 9.

The bank's principal financial assets are investments and loans and advances to customers, cash and cash equivalents, while its principal financial liabilities are customer deposits.

(c) **Derecognition of Financial Assets and Liabilities**

A financial asset or a portion thereof, is derecognized when the Bank's rights to cash flows has expired or when the Bank has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognized when the obligation is discharged, cancelled or has expired.

2.6 The Amortized Cost of a Financial Asset or Financial Liability

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

2.7 Fair Value Measurement

The bank defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions.
In measuring fair value:

- The bank takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at the measurement date.
- The bank determines classes of asset or liability for disclosure purposes on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy within which the fair value measurement is categorized.

2.8 Impairment of financial assets

At each balance sheet date, the Bank assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.
Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the fact that the debt is being restructured to reduce the burden on the borrower.

In the case of equity investments, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost.

For debt instruments and financial assets measured at amortized cost, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.
If, in a subsequent year, the amount of the estimated impairment allowance increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.
Assets together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral have been utilized.

If a future write-off is later recovered the recovery is credited to 'credit loss expense'. The present value of the estimated future cash flows is determined using the financial asset's original effective interest rate.

2.9 Impairment of Non-Financial Assets (Including Property Plant & Equipment (PPE)

The Bank assesses at least at each financial year end whether there is any evidence that non-financial assets (including PPE) may be impaired. Where indicators of impairment exist, an impairment test is performed. This requires an estimation of the 'value in use' of the asset or the cash-generating units to which the asset belong. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the asset or the cash generating unit and also to select a suitable discount rate in order to calculate the present value of those cash flows.

2.10 Property, plant and equipment

The Bank recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the amount meets the materiality threshold set by the Bank.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the Bank would currently obtain from the disposal of an asset in similar age and condition as expected at the end of the useful life of the asset.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

• Motor Vehicle	20%
• Building	2.5%
• Office Furniture	20%
• Equipment	20%
• Computers	33.33%
• Generator	20%

Costs associated with routine servicing and maintenance of assets is expensed as incurred. Subsequent expenditure is only capitalized if it is probable that future economic benefits associated with the item will flow to the Bank.

The carrying values of property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

2.11 Foreign Currency
Transactions denominated in foreign currency are translated into Cedis at the rates of exchange ruling on the dates of the transactions.
Assets and liabilities denominated in foreign currencies are translated into Cedis at exchange rates ruling at the balance sheet date.
Any gains or losses resulting from foreign currency translation or exchange are dealt with through the profit and loss account for the year.

2.12 Cash & Cash Equivalents
For the purposes of the statement of cash flows, cash and cash equivalents include cash, balance with ARB Apex Bank, amounts due from other Banks and financial institutions and short term government securities.

2.13 Provisions

The bank recognizes provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Where the bank 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 any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.14 Events after the Reporting Period

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

2.15 Use of Estimates and Judgments

In the preparation of the financial statements, the bank makes estimates and judgments that could affect the reported amounts of assets and liabilities within the next financial year.
Key areas in which judgment is applied include:
i. Determination of depreciation rates for property, plant and equipment
ii. Estimation of Provisions
iii. Determination of contingent liabilities and contingent assets
iv. Impairment of financial and non-financial assets.

2.16 Employee Benefits

- **Short-Term Benefits**

Short-term employee benefits are amounts payable to employees that fall due wholly within twelve months after the end of the period in which the employee renders the related service.

The cost of short-term employee benefits are recognized as an expense in the period when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting period are recognized as an accrued expense and any short-term benefit paid in advance are recognized as prepayment to the extent that it will lead to a future cash refund a reduction in future cash payment.

Wages and salaries payable to employees are recognized as an expense in the income statement at gross amount. The Bank's contribution to social security fund is also charged as an expense.

- **Social Security and National Insurance Trust (SSNIT)**

Under a National Deferred Benefit Pension Scheme, the Bank contributes 13% of employees' basic salary to SSNIT for employee pensions. The Bank's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

2.17. New Standards and Interpretations

2.17.1 Standards and Interpretations now effective

The following standard which is relevant to the bank's operations has been published.

2.17.2 IFRS 9 Financial Instruments

This new standard is the first phase of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deal with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorized as those subsequently measured at fair value or at amortized cost.
- Financial assets at amortized cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value though. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on de-recognition of the investment. The election maybe made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The standard was to be effective for annual periods beginning on or after 1st January, 2015.
However, with the completion of the project to replace IAS 39 and the issue on 24th July 2014 of IFRS 9 (2014) as a complete standard the new effective date for IFRS 9 has been changed to reporting periods beginning on or after 1st January, 2018 with early adoption permitted (subject to local endorsement requirements). This notwithstanding early adoption of the previous versions is permitted for limited periods to 1st February 2015.

30.0 QUANTITATIVE DISCLOSURES	2021	2020
Capital Adequacy Ratio	15%	14.57%
Loan Loss Provision Ratio	4.96%	4.44%
Liquidity Ratio	108%	108%
Gross Non-Performing loan Ratio	2%	2%

31.0 RISK MANAGEMENT

The nature of the Bank's operations exposes it to various types of risk. The risks emanating from financial instruments to which the bank is exposed are credit risk, market risk and liquidity risk.
Other risks include operational risk and interest rate risk.

31.1 Credit Risk

Credit risk arises from the potential that a debtor or counterparty is either unwilling or unable to perform an obligation resulting in economic loss to the Bank. The principal sources of credit risk inherent in the bank's operations are balances with the Banks, loans and advances to customers and investments.

To minimize the risk from these sources the Bank only deposits cash, with grants credits and restricts investments to major Banks, institutions and individuals of good repute and high credit standing.

31.2 Market Risk

Market risk is the potential of losses arising from movements in market prices such as interest rates, exchange rates, and equity and commodity prices. The bank's current operation exposes it to interest rate risk. The interest rate risk is inherent in the Bank's investments with other financial institutions which are affected by changes in interest rates by the Bank of Ghana.

The bank manages this risk by closely monitoring the inflation rates and other economic indicators that are germane, with a view to avoiding or minimizing losses arising from interest rate risk.

31.3 Liquidity Risk

Liquidity risk is the risk that the bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The bank manages liquidity risk through an ongoing review of future commitments and credit facilities. The bank has minimized its liquidity risk by ensuring that it has adequate banking funds.

31.4 Operational Risk

Operational risk is the potential for loss from failed systems and processes, staff incompetence and misconduct and uncontrolled external events. These risks are monitored and controlled in the Bank through well designed operating manuals that reflect the main operating procedures, business continuity planning, reconciliations, internal audit and timely and reliable management reporting.

31.5 Interest Rate Risk

Interest rate risk is the only financial risk that has a materially different impact across the assets and liabilities categorized in the Bank's assets and liabilities management framework.

32.0 CAPITAL

32.1 The Objectives of Capital Management

The primary objective of capital management in the Bank is to ensure that:

- it complies with the minimum stated capital requirement of Bank of Ghana it complies with the regulatory capital requirement that enables it to meet the minimum Capital adequacy Ratio requirements of Bank of Ghana

- its operations would assure it of increasing level of profitability and shareholder value the achievement of the above objectives is monitored through regular reports on the performance of the Bank and the Bank's returns submitted to Bank of Ghana regularly.

32.2 Capital Description

The Bank's Capital is its Shareholders' funds comprising Stated Capital, Reserves and Income Surplus, which includes current and previous year's retained earnings.