

OTUASEKAN RURAL BANK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2018

	NOTES	<u>2018</u> GH¢	<u>2017</u> GH¢
Interest Income	5	15,282,611	14,751,268
Interest Expense	6	<u>(2,172,810)</u>	<u>(1,853,707)</u>
Net Interest Income		13,109,801	12,897,561
Commission and Fees	7	1,380,795	1,252,086
Other Income	8	<u>268,542</u>	<u>148,162</u>
Total Income		14,759,138	14,297,810
Loan Impairment Charge	15(b)	(294,659)	(60,043)
Personnel Expenses	9	(6,383,150)	(5,474,359)
Depreciation	18	(600,522)	(574,132)
Operating Expenses	10	<u>(5,401,249)</u>	<u>(5,513,448)</u>
Profit Before Taxation		2,079,557	2,675,827
Taxation	11a	(725,363)	(382,466)
Net profit after taxation		<u>1,354,194</u>	<u>2,293,362</u>

OTUASEKAN RURAL BANK

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2018

	NOTES	<u>2018</u> GH¢	<u>2017</u> GH¢
<u>Assets</u>			
Cash and Bank Balances	13	10,714,317	7,713,845
Non-Pledged Trading Assets	14	40,892,892	34,492,250
Loans & Advances	15	23,772,701	20,750,670
Investment Securities	16	53,704	53,704
Other Assets	17	1,810,181	2,068,357
Deferred tax-Asset	12	147,568	182,549
Property, Plant and Equipment	18	2,572,994	2,869,952
Total Assets		<u>79,964,358</u>	<u>68,131,329</u>
<u>Liabilities</u>			
Deposits, current and other Accounts	19	66,146,441	56,051,927
Creditors and Accruals	20	1,524,006	1,309,698
Taxation	11b	98,995	90,153
Borrowings	21	-	8,850
Other Liabilities	26	646,789	657,428
Total Liabilities		<u>68,416,231</u>	<u>58,118,056</u>
<u>Shareholder's Fund</u>			
Stated Capital	22	2,225,092	1,756,488
Retained Earnings	23	6,782,994	6,154,220
Statutory Reserve Fund	24	2,208,220	2,038,946
Capital Surplus	25	63,619	63,619
Credit Risk Reserve		268,201	-
Total Shareholders' Fund		<u>11,548,127</u>	<u>10,013,273</u>
Total liabilities and shareholders' fund		<u>79,964,358</u>	<u>68,131,329</u>

Approved by the Board of Directors on 29th March, 2019 and signed on its behalf by:



DIRECTOR



DIRECTOR

OTUASEKAN RURAL BANK

YEAR ENDED 31 DECEMBER

Cash Flows from Operating Activities	<u>2018</u> GH¢	<u>2017</u> GH¢
Profit before Tax	2,079,557	2,675,827
Depreciation & Amortisation	600,522	574,132
Impairment gain on financial assets	312,861	
Cash Flows from Operating activities before changes in operating Assets & Liabilities	2,992,940	3,249,960
<u>Changes in Operating Assets & Liabilities</u>		
Change in Loans and Advances to Customers	(3,022,031)	(2,121,026)
Change Other Assets	258,176	(2,378,791)
Change in Deposits and Current Account	10,094,514	10,564,337
Funds applied	(126,273)	0
Change in other liabilities account	214,307	774,316
	10,411,634	10,088,795
Tax paid	(681,540)	(893,027)
Net Cash generated from operating Activities	9,730,094	9,195,768
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	(303,564)	(1,020,790)
Purchase of Treasury bills and other eligible bills	(6,400,641)	(9,468,167)
Dividend paid	(485,172)	(520,407)
Net Cash used in Investing Activities	(7,189,377)	(11,009,364)
<u>Cash flows from financing Activities</u>		
Additional Shares Issued	468,605	281,207
Borrowings	(8,850)	
Net Cash used in Financing Activities	459,755	281,207
Net (decrease)/Increase in Cash and Cash Equivalent	3,000,471	(1,532,389)
Cash and Cash Equivalent at beginning of period	7,713,845	9,246,234
Cash and Cash Equivalent at end of the year	10,714,317	7,713,845

OTUASEKAN RURAL BANK

STATEMENT OF CHANGES IN EQUITY

	STATED <u>CAPITAL</u> GH¢	RETAINED <u>EARNINGS</u> GH¢	STATUTORY <u>RESERVE FUND</u> GH¢	CAPITAL <u>SURPLUS</u> GH¢	CREDIT RISK <u>RESERVE</u> GH¢	TOTAL <u>TOTAL</u> GH¢
At 1 January, 2018	1,756,488	6,154,220	2,038,946	63,619		10,013,273
IFRS 9 Impact		312,861				312,861
Restated Balance as at 1 January,	1,756,488	6,467,081	2,038,946	63,619		10,326,134
Profit for the year	-	1,354,194	-	-		1,354,194
Dividend Paid	-	(485,172)	-	-		(485,172)
Issue of additional shares	468,605		-	-		468,605
Transfer to Statutory Reserve	-	(169,274)	169,274	-		-
Transfer to credit risk Reserve	-	(268,201)			268,201	
Transfer to Gratuity Fund	-	(115,634)	-			(115,634)
At 31 December, 2018	2,225,092	6,782,995	2,208,220	63,619	268,201	11,548,127

2017						
At 1 January, 2017	1,475,281	5,241,410	1,465,606	63,619	8,245,916	
Profit for the year	-	2,293,362	-	-	2,293,362	
Dividend Paid		(520,407)		-	(520,407)	
Issue of additional shares	281,207	-	-	-	281,207	
Transfer to Statutory Reserve		(573,340)	573,340		-	
Transfer to Dev't Fund		(286,804)			(286,804)	
At 31 December, 2016	1,756,488	6,154,220	2,038,946	63,619	10,013,273	

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	NOTES	<u>2018</u>	<u>2017</u>
Interest earned and other operating income		16,663,406	16,003,354
Direct cost of services and other costs		<u>(7,260,356)</u>	<u>(7,131,270)</u>
Value added by banking services		9,403,050	8,872,084
Non-banking income		268,542	148,162
Impairments		<u>(294,659)</u>	<u>(60,043)</u>
Value added		<u>9,376,933</u>	<u>8,960,203</u>
Distributed as follows:			
To employees			
Directors		(492,854)	(433,883)
Other Employees		<u>(6,204,001)</u>	<u>(5,276,359)</u>
		<u>(6,696,855)</u>	<u>(5,710,242)</u>
To Government			
Income Tax		<u>(725,363)</u>	<u>(382,466)</u>
To providers of capital			
Dividends to shareholders		<u>(338,549)</u>	<u>(572,797)</u>
To expansion and growth			
Depreciation and amortisation		<u>(600,522)</u>	<u>(574,132)</u>
Retained Earnings		<u>1,015,645</u>	<u>1,720,565</u>

Reporting entity

Otuasekan Rural Bank Limited is a bank incorporated in Ghana. The address of the Bank's registered office is: Kofiase, Mampong, P. O Box MA339, Mampong.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit – Taking Institutions Act, 2016 (Act 930).

Functional and presentation currency

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Changes in accounting policies

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The bank did not earlier adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening income surplus and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as 'Financial Instruments: Disclosures'.

Risk Management

The Bank's activities expose the business to risks. The Bank has exposure to the following types of risks: credit risk, liquidity risk, market risk and operational risk. These risks are managed professionally and in a targeted manner. The Bank's risk management policies are established to identify and analyze risks faced by the Bank, set appropriate risks limits and controls as well as monitor these risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Quantitative Disclosures

	2018	2017
	%	%
Capital adequacy ratio	22.37	19.84
Non-performing loans to Gross loans	6.56	6.61
Loan loss provision	5.91	6.79

Defaults in statutory liquidity and accompanying sanctions

	2018	2017
a) Default in statutory liquidity	Nil	Nil
b) Sanctions	Nil	Nil

Report of the Directors

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2018 report as follows:

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Otuasekan Rural Bank Limited, comprising statement of financial position at 31 December, 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Nature of Business

The Bank is authorised by Bank of Ghana to carry on the business of rural banking.

Dividend

The Directors recommend the payment of dividend of GH¢0.03819 per share amounting to GH¢338,548.50 for the year ended 31 December, 2018.

Auditor

The auditor, John Allotey & Associates will continue in office in accordance with Section 134(5) and Section 81 of the Banks and Specialised Deposit – Taking Institutions Act, 2016 (Act 930).

Approval of the Financial Statements

The financial statements of the Bank were approved by the board of directors on 29th March 2019 and were signed on their behalf by:



.....
Dr. Prince Stephen Adom - Attakora
(Chairman)



.....
Mr. Samuel Yaw Tuffour
(Member)

**Independent Auditor's Report
To the Members of Otuasekan Rural Bank Limited****Opinion**

The condensed financial statements, which comprise the statement of financial position at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the audited financial statements of Otuasekan Rural Bank Limited for the year ended 31 December 2018.

In our opinion, the accompanying condensed financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the basis described in the notes.

Condensed Financial Statements

The condensed financial statements do not contain all the disclosures required by International Financial Reporting Standards and in the manner required by the Companies Act 1963, (Act 179) and the Banks and Specialised Deposits-Taking institutions Act, 2016 (Act 930) applied in the preparation of the audited financial statements of Otuasekan Rural Bank Limited . Reading the condensed financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon. The condensed financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to that date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 4 April 2019. That report also includes the communication of key audit matters. Key audit

matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements for the current period.

Directors' Responsibility for the Condensed Financial Statements

The directors are responsible for the preparation of the condensed financial statements in accordance with the basis described in the notes.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the condensed financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is: Nana Forkuoh-Ababioh Yentumi (ICAG/P/1154)

A handwritten signature in black ink, appearing to read 'John Allotey', with a stylized flourish at the end.

FOR AND ON BEHALF OF: JOHN ALLOTEY & ASSOCIATES:

(ICAG/F/2019/161)

CHARTERED ACCOUNTANTS

PRUDENTIAL PLAZA, ADUM

P O BOX 884

KUMASI

4th April 2019.