1. REPORTING ENTITY

Adansi Rural Bank Limited referred to as the bank in these financial statements is a limited liability company incorporated under the Companies Act, 2019 (Act 992) and licensed by the Bank of Ghana with its headquarters at Adansi Fomena in the Ashanti Region of Ghana. The address of its registered office is P. O. Box 35 Adansi Fomena, Ashanti and the principal place of business is Fomena.

2.1 STATEMENT OF COMPLIANCE

The financial statements of the company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and the Companies Act, 2019 (Act 992).

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in note 2.4.

2.3 BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements have been prepared in the Ghana Cedi (GH¢) which is the company's functional currency and all values have been rounded to the nearest One Cedi (GH¢1).

2.4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Inventory measurement
- Useful lives of items of property, plant and equipment
- Useful lives of intangible assets
- Classification of financial assets
- Fair value measurement and valuation processes.

2.5 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 applied consistently for all the years presented, unless otherwise stated.

a. Interest Income and expenses

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the bank and it can be reliably measured. It is income derived from the use of the bank's assets and hence the interest is mostly dependent on the underlying agreement.

Interest income and expense are, however, generally recognised in the income statement on straight-line basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include:

Interest on financial assets and liabilities at amortised cost on an effective interest rate basis

Interest on available-for-sale investment securities on an effective interest rate basis

b. Fees and commission

Fees and commission 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 are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised 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.

c. Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax Expense

Income tax expense represents the sum of the tax currently payable and deferred tax movement for the current period. The tax currently payable is based on taxable profit for the year.

d. Financial assets and liabilities

Recognition

The Bank initially recognizes loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the bank becomes a party to the contractual provisions of the instrument.

Derecognition

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

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the International Financial Reporting Standards, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

Measurement of amortised cost

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

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted

market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The bank considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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

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

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

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

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

e. Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities.

f. Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Investments in Government of Ghana securities and other financial institutions are classified as held to maturity.

g. Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as

another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest rate method.

Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is transferred to profit or loss.

h. Bank overdrafts and interest-bearing borrowings

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

i. Intangible assets

These comprise computer banking software license and other computer software licenses acquired. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite.

Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

• Software development costs - 4 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

j. Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When components of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Revaluation model

After recognition of an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Revaluation model is used for only property and surpluses on such revaluations are restricted to tier two capital with respect to capital adequacy ratio computation.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight-line basis over the estimated useful lives as follows:

- Owned Buildings 33.3 years
- Office equipment 4 years
- Furniture, fixtures and fittings 5 years
- Computers and accessories 3 years
- Motor Vehicles and bikes 5 years
- Generators 3 years
- Building Renovation 10 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in profit or loss.

Leasehold properties relate to rented properties which have expiry dates exceeding one year. They are amortised on a straight-line basis over the lease periods.

k. Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Defined benefit plans

The bank operates a number of pension and other post-employment benefit plans. These plans include both defined benefit and defined contribution plans.

The bank pays the mandatory 13% of the employees' basic salary to the Social Security and National Insurance Trust for employee pensions. The bank's obligation is limited to relevant contributions which have been recognised in the financial statements. The pension liabilities and obligations rest with the Social Security and National Insurance Trust.

The bank has a Provident Fund Scheme for their employees. Employees contribute 5% of their basic salary to the fund whilst the bank contributes 5%. These monies are invested by third parties and the bank has no further obligation under the scheme.

l. Earnings per share

The bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period.

m. New and revised standards, amendments and interpretations

Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; add guidance and illustrative examples to help entities assess whether a

substantive process has been acquired; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period. This became effective from 1 January 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Became effective on 1 January, 2020.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Became effective from 1 January, 2020

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment updates an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
This is effective for reporting periods beginning on or after 1 January, 2022.

Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items in the profit or loss.

This is effective for reporting periods beginning on or after 1 January, 2022.

Onerous Contracts-Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling the contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

This is effective for reporting periods beginning on or after 1 January, 2022.

Annual Improvements to IFRS Standards 2018-2020

Amendments have been made for the following standards

IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

This is effective for reporting periods beginning on or after 1 January, 2022.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

This is effective for reporting periods beginning on or after 1 June, 2020.

Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.

Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.

Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.

Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.

Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.

Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.

Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

This is effective for reporting periods beginning on or after 1 January, 2023.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

This is immediately available.

Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)

The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2023.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

This is effective for reporting periods beginning on or after 1 January, 2021.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

This is effective for reporting periods beginning on or after 1 January, 2023.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

This is effective for reporting periods beginning on or after 1 January, 2023.