

MPONUA

RURAL BANK LTD.

FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2017

Opoku, Andoh & Co.
Chartered Accountants
SDA 8, Community 5
P. O. Box CO 1364
Tema

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Notice of the 24th Annual General Meeting on Saturday October 13, 2018

Notice is hereby given that the 24th Annual General Meeting of shareholders of Mponua Rural Bank Limited will be held at the Roman Catholic Church at Amuana Praso on Saturday, October 13, 2018 at 10:00a.m to transact the following business:

AGENDA

1. To read the notice convening the meeting.
2. To receive the report of the Chairman of Board of Directors
3. To receive the report of the Board of Directors.
4. To review the Auditors' report on the Financial Statement for the year ended December 31, 2017.
5. To ratify the transfer of GH¢1,000,000.00 from Income Surplus to Stated Capital.
6. To ratify the appointment of Opoku, Andoh & Co. as the External Auditors of the Bank
7. To elect Directors to replace those retiring by rotation.
8. To authorize the Directors to fix the Auditors' Remuneration.
9. To fix the remuneration of Directors
10. Any other business.

SIGN

ANDREWS AMEYAW
(BOARD SECRETARY)

DATED THIS 11th AUGUST, 2018
BY ORDER OF THE BOARD

Note

A member is entitled to attend and vote at the meeting or appoint a proxy to attend and vote instead of him/herself. Such a proxy need not be a member of the Bank (shareholder).

Corporate Information

Board of Directors	Mr. George Osei Ameyaw	-	Chairman
	Mr. E. Atta Asamoah	-	Vice Chairman
	Mr. George Okyere	-	Member
	Mr. Charles Ofori-Owusu	-	Member
	Mr. Peter Ackah	-	Member
	Mr. Andrews Ameyaw	-	Member
Corporate Advisor	Mr. D. O. K. Owusu		
Secretary	Mr. Andrews Ameyaw		
Management Team	Mr. Kwadwo Farkye	-	Sup Manager (Resigned February 2017)
	Madam Felicia Boamah-Hall	-	Acting Supervising Manager
	Mr. George Awuah Boateng	-	Internal Auditor
	Mr. Larbi Kwabena Donkor	-	Head, Operations
	Mr. Cherub Keni Okoto	-	Accountant
	Mr. Anthony D. Osei-Mireku	-	Head, IT
	Mr. Eric Osei Ameyaw	-	Head of Credits
Registered Office	Bank Premises Mponua Rural Bank Limited P. O. Box 10 Amuana Praso Eastern Region		
Address			
Auditors	Opoku, Andoh & Co Chartered Accountants SDA 8, Community 5 P. O. Box CO 1364 Tema		
Bankers	ARB Apex Bank Limited		

24th Annual General Meeting Chairman's Report

1.0 INTRODUCTION

Nananom, Directors, Shareholders, Distinguish Guests, friends from the media, ladies and gentlemen, it is my pleasure to welcome you to the 24th Annual General Meeting of Mponua Rural Bank. I am delighted to present the performance of your Bank for the financial year ended 31st December 2017 for your ideas towards a sustainable growth and development of the Bank.

2.0 OVERVIEW OF THE ECONOMIC ENVIRONMENT IN GHANA

Global economic activity continues to return to normal, and it is expected to be sustained over the medium term. According to the International Monetary Fund Report (January, 2018), output on the global scale was estimated to grow by 3.7 percent in 2017 which is half percentage point higher than in 2016.

The economic activity in Ghana for 2017 has been fairly healthy and the momentum is expected to continue over the medium term, supported by continued favourable external financing conditions.

In 2017, the local currency remained relatively stable against the major trading currencies. The Ghana cedi depreciated against the US Dollar by a cumulative figure of 4.9 percent year on year. Inflation dropped from 15.4 percent in December, 2016 to 11.8 percent in December, 2017. The decline in inflation rate can largely be attributed to a fall in non-food component of the inflation basket as well as a relative stability of the exchange rate. Similarly, the 91-day Treasury Bill rate closed the year at 13.35% from 16.43% in December 2016 and the 182-day Treasury bill rate also declined to 13.88 percent from 17.6 percent in December, 2016. The fall in the Treasury Bill rates adversely affected the earnings of the Bank.

3.0 THE BANK'S IMAGE

Nananom, distinguished guests, ladies and gentlemen, the Bank continued to operate under stiff competition in the market and coupled with difficult economic terrain, banking business became very risky and expensive. However, I am happy to inform you that your Bank remained resilient with the introduction of pragmatic customer centered policies and programs that made operations more efficient, and thus increased the patronage of its products and services. The clamour for the services at Asante Akyem area led to the opening of an agency at Konongo early this year, that makes the total of the Bank's agencies to be eight (8).

It is worthy to note that, Mponua Rural Bank Limited was rated "Strong" throughout the four quarters in 2017 and for the first time was ranked 3rd by ARB Apex Bank Performance Rating of Rural and Community Banks in the last quarter of 2017, as compared to the Bank being ranked 6th at end 2016. The Bank attained an unprecedented ranking as the Number One Rural and Community Bank in the whole country as at end of March 2018 rating by the ARB Apex Bank. I am highly delighted and very grateful to all stakeholders who have contributed in no small measure toward the attainment of this feat.

4.0 FINANCIAL HIGHLIGHTS AND PERFORMANCE

The Bank continued to perform satisfactorily despite the prevailing economic challenges during the year as indicated by the data for 2016 and 2017 below:

	2017 GH¢	2016 GH¢	% Change
Total Assets	23,253,274.00	19,149,411.00	21.43
Deposits	19,039,081.00	15,322,736.00	24.25
Loans (Net)	5,119,876.00	3,714,080.00	37.85
Investments	13,300,000.00	12,000,000.00	10.83
Profit Before Tax	863,682.00	1,141,380.00	(24.33)
Tax Charged	241,550.00	296,906.00	(18.64)
Profit After Tax	622,132.00	844,471.00	(26.33)
Stated Capital	1,762,898.00	567,373.00	210.71
Shareholders' Funds	3,580,231.00	3,034,183.00	18.00
Dividend Per Share		0.0445	
Proposed Dividend		210,940.50	

4.1 TOTAL ASSETS

The Bank recorded an increase in total assets from **GH¢19.12 million** in 2016 by **21.60%** to the level of **GH¢23.25 million** in 2017. The increase was funded significantly from Deposits (i.e. **GH¢3.72 million**) and Shareholders' Funds (i.e. **GH¢0.55 million**) and reflected increases mainly in Advances (**GH¢1.41 million**), Investments (**GH¢1.30 million**) and Cash and Short Term Funds (**GH¢0.84 million**).

4.2 DEPOSIT

The Bank expanded its deposit base with a growth of 24.25% from **GH¢15.32 million** in 2016 to **GH¢19.03 million** in 2017 and all types recorded modest increases.

4.3 LENDING OPERATIONS

Total Loans and Overdraft disbursed was **GH¢8.97 million** in 2017 as against **GH¢ 6.27 million** recorded in 2016, that showed an improvement of **GH¢2.70 million** or **43.06%**. The sectoral disbursements were as below:

	2017 GH¢	2016 GH¢
Agriculture	2,053,000.00	1,541,400.00
Trading	2,614,000.00	1,800,000.00
Transport	620,000.00	247,000.00
Salaried Workers	1,851,614.00	1,638,700.00
Others	1,837,000.00	1,044,950.00
Total	8,975,614.00	6,272,050.00

The credit facilities were granted to all the economic sectors as indicated above with the bulk benefiting trading, salaried workers and agriculture workers. The increased disbursement reflected in the outstanding balance growing by 37.85% to **GH¢5.11 million** at end 2017 from **GH¢3.71 million** at end 2016. The loan portfolio quality is very high arising from appropriate appraisals, regular monitoring and supervision.

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4.4 INVESTMENT AND LIQUIDITY

The Bank's investment in Government Securities increased in 2017 by 10.83% from GH¢12.0 million to GH¢13.3 million and this constituted 69.85% of Deposits as against the prudential requirement of 30.0%, recording an excess of GH¢7.59 million. The Bank continued to maintain a strong liquidity cover for deposits.

4.5 PROFIT AND SHAREHOLDERS' FUNDS

I. PROFIT:

A net profit after tax of GH¢622,132 achieved fell short of that of 2016 by 26.33% which was at a level of GH¢844,471.

The low performance could be assigned to high cost of funds in respect of Time Deposits, increasing operating cost and high loan impairment underpinned by the general unfavourable economic circumstances. The declined profit in 2017 was a general occurrence in the rural banking industry and was due to the challenges posed by the economy.

II. STATED CAPITAL AND SHAREHOLDERS' FUNDS

The Bank's Stated Capital rose remarkably to the GH¢1.76 million from a 2016 level of GH¢0.57 million. The significant increase was due to decision of shareholders last year to use the declared dividend to acquire shares and transfer from Income Surplus as bonus share to Stated Capital. The attained Stated Capital of GH¢1.76 million is in excess of the required minimum regulatory capital of GH¢1.0 million. Shareholders and the public are being asked to buy more shares to increase the Stated Capital further to strengthen the Bank's capacity to modernize operations and to comply with any regulations capital hike.

The Shareholders' Funds also showed a growth of 18% from 2016 level of GH¢3.03 million to GH¢3.58 million at the end of 2017, and this was due mainly to the net profit made for the year.

5.0 PROPOSED DIVIDEND

The Board of Directors have recommended that no Dividend will be paid for the year ended 31st December, 2017. This is to build up sufficient Income Surplus for transfer to Stated Capital to comply with any hike that may be prescribed by the Bank of Ghana.

6.0 EXTERNAL AUDITORS

The tenure of office of the Bank's external auditors expired the previous year in accordance with the directive by the Bank of Ghana. By your mandate the Board has engaged Messrs Opoku, Andoh & Co. as the new external auditors for the Bank. We hope they would discharge their duties in a professional manner.

7.0 SOCIAL RESPONSIBILITY

Nananom, distinguished guests, ladies and gentlemen, in line with the policy to give back to society what it has supported to achieve, Mponua Rural Bank Limited provided farming inputs to the Asante Akim South and Birim North District Assemblies and Kwahu West Municipal Assembly during the celebration of the 2017 National Farmers' Day as part of our corporate social responsibility. The Board

would expand the scope in future when the need arises.

8.0 MANAGEMENT PERSONNEL

Fellow shareholders, the Board and Management has engaged the services of Mr. Isaac Aboagye Nyame a seasoned banker to bring his vast experience on board to strengthen the capacity of Management to effectively and efficiently exercise its responsibilities to improve upon performance. Mr. Isaac Aboagye Nyame, you are most welcome.

9.0 ELECTION OF DIRECTORS

Fellow shareholders, as law demands, one third of the directors shall step down at every Annual General Meeting, but they could as well seek re-election. This year, Messrs Peter Ackah and George Okyere are retiring but the Board recommends them to stand for election together with any nominations that would be received.

10.0 FUTURE OUTLOOK AND CONCLUSION

Nananom, Distinguish Guests, Shareholders, ladies and gentlemen looking ahead, the Board and Management is expected to continue in sustaining the growth in shareholders' value by pursuing our strategic plan, which is hinged on excellent customer service, a strong liquidity base, diversified funding sources and strict adherence to regulatory norms. The Board and Management are also determined to continue with the facelifting of some agency premises to acceptable standards and continue working on the Amuana Praso Head Office project, re-brand some existing products and services and introduce electronic products, modernize operating systems and procedures to be in tune with emerging technology in banking.

CONCLUSION

Nananom, distinguished guests, ladies and gentlemen, I would like to recognize the efforts of our Board, Management, as well as all stakeholders who have performed their roles creditably in propelling Mponua Rural Bank into prominence by discharging quality financial services to improve upon the standard of living of the people. I urge you not to be overwhelmed by the sterling achievement, but rather increase efforts and patronage to make the sky the limit for performance enhancement.

On behalf of the Board, I thank our shareholders for their sustained relentless support.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited Financial statements of the Bank for the year ended 31st December, 2017 to the members as follows:

- a. **Stated Capital**
The Bank increased its stated capital to represent fully paid ordinary shares during the year under review.
- b. **Principal Activities**
The principal activities carried out by the Bank during the year under review were 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.
- c. **Results and Dividend**
The results of operations for the year ended 31st December, 2017 are set out in the Income Statement, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements from pages 12 to 29.

The operations for the year resulted in a Profit of GH¢622,132.00 after charging all expenses including taxation and depreciation. The total assets of the Bank increased from GH¢19,149,411 in 2016 to GH¢23,253,274 in 2017.

The Directors do not recommend the payment of any dividend.
- d. **Retiring Directors**
In accordance with section 298(1) of the Companies Code 1963 (Act 179), one-third of the Directors retire at the Annual General Meeting and being eligible, *offer themselves for re-election.*
- e. **Auditors**
The Auditors, Messrs Opoku Andoh & Co, will continue in office in accordance with Section 134 (5) of the Companies Code, 1963 (Act 179).

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements for each year which gives a true and fair view of the state of affairs of the Bank: and profit or loss and cash flows for the period. In preparing these financial statements, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are reasonable and prudent; followed applicable accounting standards; and complied with the requirements of the Companies Code 1963 (Act 179) and the Banks and Specialized Deposit Taking Institutions Act 2016 (Act 930).

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and, hence; for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

We have no plans or intentions, for example to dispose off the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Nature of Business

The Bank is licensed to carry out the business of Banking business in Ghana. There was no change in the nature of the Bank's business during the year.

Approval of the Financial Statements

The financial statements of the Bank was approved by the Board of Directors on 21st May 2017 and was signed on its behalf by:



DIRECTOR:

AMUANA PRASO

21st May, 2018



DIRECTOR:

Independent Auditors' Report to members of M.R.B On the Financial Statements for the Year Ended 31st December, 2017

Opinion

We have audited the financial statements of MPONUA RURAL BANK LIMITED for the year ended 31 December, 2017. The financial statements comprise:

- Statement of Financial Position as at 31st December, 2017;
- Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- Statement of Changes in Equity for the year then ended;
- Statement of Cash Flows for the year then ended; and
- Notes to the Financial Statements, which include as summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2017 and of its financial performance, income surplus and its cash flows for the year ended in accordance with Ghana Accounting Standards (GAS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Basis of 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 Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises Report of the Directors and Corporate Governance but does not include the Bank's financial statements and our Auditor's 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Ghana Accounting Standards (GAS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, due to fraud or error.

In preparing the financial statements, the Directors are 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 the Directors either intend to liquidate the Bank or to cease operations, or have no alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditors Responsibility 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 misstatements, 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 it is not a guarantee that an audit conducted in accordance with the 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 on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements 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 of 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, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 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 disclosure, and whether the financial statements represent the underlying transactions and events in the manner that achieves fair presentation. We communicated with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other Legal and Regulatory Requirements

The Companies Act, 1963 (Act 179) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) require that in carrying out our audit we consider and report on the following matters. We confirm that:

- a) 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;
- b) In our opinion, proper books of account have been kept by the Bank in so far as appears from our examination of those books; and the statements of the financial position and profit or loss and other comprehensive income are in agreement with the books of account;
- c) The Bank's transactions were within its powers;
- d) The Bank complied with the provisions of the Banks and Specialised Deposit- Taking Institutions Act, 2016 (Act 930)

The Engagement Partner on the audit resulting in this independent auditor's report is Stephen Boateng Mensah (ICAG/P/1402).



Opoku Andoh & Co (ICAG/F/2018/053)
Chartered Accountants
SDA 8, Community 5
Tema

21st May, 2018

MAPONUA RURAL BANK LIMITED**Statement of Comprehensive
Income for the Year Ended
31st December, 2017**

	NOTES	2017 GH¢	2016 GH¢
Interest Income	4	4,170,387	3,753,623
Interest Expense	5	(647,751)	(397,855)
Net Interest income		3,522,636	3,355,768
Commission and Fees	6	529,959	439,627
Other Operating Income	7	90,027	156,373
Total Income		4,142,622	3,951,768
Operating Expenses	8	(3,177,860)	(2,865,221)
Loan Impairment Charge	9	(101,080)	54,833
Profit Before Taxation		863,682	1,141,380
Income Tax Expense	10	(241,550)	(296,909)
TOTAL COMPREHENSIVE INCOME		622,132	844,471

Statement of Changes in Equity for the Year Ended 31st December, 2017

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2017	Stated Capital GH¢	Retained Earnings GH¢	Statutory Reserve Fund GH¢	Capital Surplus GH¢	Building Fund GH¢	Total GH¢
Balance at 1/1/2017	567,373	1,669,913	636,083	14,814	146,000	3,034,183
Adjustment		(93,668)				(93,668)
Profit For The Year		622,132				622,132
Dividend Paid		(210,941)				(210,941)
Share Capital	195,525					195,525
Capitalisation Issue	1,000,000	(1,000,000)				
Transfer To Building Fund					33,000	33,000
Transfer To Statutory Reserve Fund		(77,766)	77,766			
Balance at 31/12/2017	1,762,898	909,670	713,849	14,814	179,000	3,580,231
2016						
Balance at 1/1/2016	475,945	1,057,689	530,524	14,814	110,000	2,188,972
Profit For The Year		844,471				844,471
Dividend Paid						
Share Capital	740					740
Capitalisation Issue	90,688	(90,688)				
Transfer To Building Fund		(36,000)				
Transfer To Statutory Reserve Fund		(105,559)	105,559		36,000	
Balance at 1/12/2016	567,373	1,669,913	636,083	14,814	146,000	3,034,183

MPONUA RURAL BANK LIMITED**Statement of Financial Position
as at 31st December, 2017**

	NOTES	2017 GH¢	2016 GH¢
Assets			
Cash and Short Term Funds	11	3,193,877	2,350,108
Short Term Investments	12	13,300,000	12,000,000
Advances	13	5,119,876	3,714,080
Investments in Equities	15	41,404	41,404
Other Assets Account	14	871,589	312,557
		<u>22,526,746</u>	<u>18,418,149</u>
Property, Plant & Equipment	16	726,528	731,262
Total Assets		<u>23,253,274</u>	<u>19,149,411</u>
Liabilities			
Deposits and Current Accounts	17	19,039,081	15,322,736
Creditors and Accruals	18	532,411	641,901
Taxation	10	101,550	150,591
Total Liabilities		<u>19,673,042</u>	<u>16,115,228</u>
Shareholder's Fund			
Stated Capital	19	1,762,898	567,373
Retained Earnings		909,670	1,669,913
Statutory Reserve Fund	20	713,849	636,083
Building Fund	21	179,000	146,000
Capital Surplus		14,814	14,814
Total Shareholders' Fund		<u>3,580,231</u>	<u>3,034,183</u>
Total Liabilities and Shareholders' Fund		<u>23,253,274</u>	<u>19,149,411</u>

Approved by the Board of Directors on 21st May, 2018 and signed
on its behalf by:


DIRECTOR:


DIRECTOR:



considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed.

In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency to determine whether the control operated during the year.

We performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default (PD) and the loss given default (LGD).

We challenged management's staging of its financial assets in the ECL module and tested facilities to ensure they have been included in the correct stage.

We tested the underlying data behind the determination of the probability of default by agreeing same to underlying supporting documentation.

We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable.

We further tested the disclosures to ensure that the required disclosures under IFRS 9 together with the first time adoption disclosures have been appropriately disclosed.

We further assessed as appropriate the classifications of the Bank's loans and advances in accordance with Bank of Ghana, prudential guidelines and the transfer of any excess provision over the IFRS computed provisions to the regulatory Credit Risk Reserve.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Report, Corporate Governance Report and Shareholders Information 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on the other information, we conclude that

MPONUA RURAL BANK LIMITED

Statement of Cash Flows. Reconciliation of Net Cashflows from Operating Activities

OPERATING ACTIVITIES	NOTES	2017 GH¢	2016 GH¢
Profit Before Tax		863,682	1,141,380
Adjustments for other payments		(93,668)	-
Depreciation		120,406	70,544
<i>Operating profit before working capital changes</i>		890,420	1,211,924
<i>Changes in Working Capital</i>			
Change in Loans and Advances to Customers		(1,405,796)	170,093
Change in Other Assets		(559,032)	74,790
Change in Customer's Savings and Deposits		3,716,345	2,941,484
Change in Creditors & Accruals		(109,490)	(23,608)
Cash Generated/Used in Operations		2,532,447	4,374,683
Tax Paid		(290,590)	(170,891)
Net Cash Flow From Operating Activities		2,241,857	4,203,792
INVESTING ACTIVITIES			
Profit on Disposal of Property Plant & Equipment		(12,325)	-
Proceeds from sale of Property Plant & Equipment		20,000	-
Purchase of Property, Plant & Equipment		(123,347)	(239,407)
Purchase of Investments		(1,300,000)	(4,002,817)
Net Cash Flow From Investing Activities		(1,415,672)	(4,242,224)
FINANCING ACTIVITIES			
Ordinary Shares Issued		195,525	740
Dividend Paid		(210,941)	-
Building Fund		33,000	-
Net Cash Flow From Financing Activities		17,584	740
INCREASE IN CASH AND CASH EQUIVALENTS		843,769	(37,692)
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
Cash and Cash Equivalents as at 1 January		2,350,108	2,387,800
Net Cash Inflow		843,769	(37,692)
Cash and Cash Equivalents as at 31 December		3,193,877	2,350,108

MPONUA RURAL BANK LIMITED

Notes to the Accounts for the Year Ended 31st December, 2017

1.0 REPORTING ENTITY

Mponua Rural Bank Limited is a public Limited Liability Company incorporated and domiciled in Ghana. The Registered office is at Amuana Praso, with the operational head office located at Nkawkaw in the Eastern Region. The Bank primarily is involved in rural banking.

2.0 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**a) Statement of Compliance**

The financial statements of MPONUA RURAL Bank Limited have been prepared in accordance with Ghana Accounting Standards (GAS) and under the historical cost convention except as disclosed in the accounting policies below.

b) Use of Estimates and Judgement

The preparation of financial statements in conformity with GAS requires management to make Judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

c) Functional and Presentational Currency

The financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional and presentational currency.

d) Significant Accounting Policies

The significant accounting policies adopted by the Bank which have been used in preparing these financial statements are as follows:

e) Revenue Recognition**i) Interest Income and Expense**

Interest income and expenses are recognised in the statement of comprehensive income for all financial instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised 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 future cash payments or receipts through the expected life of the financial instruments, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the instrument.

MPONUA RURAL BANK LIMITED

When a financial asset or a group of similar financial assets have been written down as a result of impairment, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expenses on financial assets and liabilities held at fair value through profit or loss is recognised in the income statement in the period they arise.

ii) Fees & Commissions

Fees and commission income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate. Fees and commission relating to specific services are recognised as revenue when the related services are performed.

iii) Other Operating Income

Other Income comprises gains or losses arising on fair value changes in trading assets and liabilities and derecognised available for sale financial assets.

f) Financial Assets and Financial Liabilities

i) Categorisation of Financial Assets and Financial Liabilities

The Bank classifies its financial assets in the following categories: financial assets held at fair value through profit or loss, loans and receivables, available for sale financial assets, and held to maturity investments. Financial liabilities are classified as either held at fair value through profit or loss, or amortised cost. Management determines the categorisation of its financial assets and financial liabilities at initial recognition.

ii) Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial asset or liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions:

a) Held for trading

A financial asset or financial liability is classified as held for trading if it is: acquired or incurred principally for the purpose of selling or repurchasing in the near future; or part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

b) Designated at fair value through profit or loss

Upon initial recognition as financial asset or financial liability, it is designated by the Bank at fair value through profit or loss except for investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

iii) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

g) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and fair value less cost to sell. Impairment losses are recognised in the Income Statement.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The current annual depreciation rates for each class of property, plant and equipment are as follows:

Buildings	2%
Motor Vehicles	33%
Office Equipment	25%
Furniture & Fittings	20%
Computers and Accessories	25%

h) Taxation

The Bank provides for income taxes at the current tax rates on the taxable profits of the Bank. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. No provision is made for deferred tax.

i) Employee Benefits

i) Post Employment Benefits

a) 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 were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

b) Provident Fund

The Bank has a provident Fund Scheme for all employees who have completed probation with the Bank. Both Employees and the Employer contribute 4.5% of the basic salary to the Fund. The obligation under the plan is limited to the relevant contribution and these are settled on due dates.

j) Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely to, than not, that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the obligation is expected to be settled over a period of years, the provision is discounted using a discount rate appropriate to the nature of the provision.

k) Dividend

Dividend declared is treated as an appropriation of profits in the year of approval, whilst dividend proposed is disclosed as a note to the financial statements

l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as non-current liabilities where the Bank has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs relating to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. All other borrowing costs are expensed as incurred.

m) Post Balance Sheet Events

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

n) Cash and Cash Equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash, non-restricted balances with ARB Apex Bank of Ghana, amounts due from other banks and financial institutions and short term investments in Government of Ghana Treasury Bills.

3 COMMITMENTS AND CONTINGENCIES**a) Commitment - Banking Business**

The Bank enters into various Commitments in the normal course of banking.

b) Contingent Liabilities

There were no contingent liabilities at the end of the year.

c) Commitment for Capital Expenditure

There were no commitment for Capital Expenditure at the end of the year.

	2017 GH¢	2016 GH¢
4 INTEREST INCOME		
Investments	2,089,614	1,873,849
Advances	2,080,773	1,879,774
	4,170,387	3,753,623
5 INTEREST EXPENSES		
Interest on Deposit Liabilities	647,751	397,855
	647,751	397,855
6 COMMISSION AND FEES		
Commitment Fees & Clearing Charges	351,270	262,847
Commissions	178,690	176,780
	529,959	439,627
7 OTHER OPERATING INCOME		
Sundry Income	90,027	156,373

MAPONUA RURAL BANK LIMITED

	2016 GH¢	2016 GH¢
8 OPERATING EXPENSES		
<i>a) Staff Cost</i>		
Staff Salaries, Wages & Allowances	1,195,170	1,124,352
Social Security Fund Contribution	154,753	146,166
Provident Fund Contribution	53,278	46,789
Staff Bonus	93,925	113,448
Staff Accommodation	51,320	56,930
Canteen Expenses	75,184	74,298
Clothing Expenses	58,699	44,178
Staff Training	19,707	22,734
Medical Expenses	2,949	5,551
	1,704,985	1,634,446
<i>b) Occupancy Cost</i>		
Rent & Rates	40,814	26,948.00
Housing Expenses	-	300.00
Cleaning	18,079	18,532.00
Electricity and Water	96,344	96,693.00
	155,237	142,473.00
<i>c) General & Administrative Expenses</i>		
Directors' Allowances	57,200	41,200
Board Meeting Expenses	47,232	41,695
Travelling and Transport	383,744	298,735
Printing and Stationery	43,178	38,852
Telephone & Postages	7,085	5,883
Police Guard Expenses	66,370	72,713
Anniversary Expenses	33,326	33,059
Directors' Training	-	-
General Office Expenses	12,380	14,679
Legal Fees	5,000	5,000
Legal Expenses	4,655	2,316
Funeral Grant	7,800	3,200
Licensing & Supporting Fees	5,410	17,167
Bad Debt - Written Off	-	-
Long Service Award	34,540	18,200
Promotion	60,200	46,472
Shortage in Till	-	50
Computer Expenses	2,029	7,178
Communication & ICT	125,131	69,977
Donation	1,900	7,750
Insurance	50,567	37,153
Susu Expenses	63,722	39,980

MPONUA RURAL BANK LIMITED

Transfer Grant	5,051	9,777
Building Fund Expenses	33,000	-
Cashiers' Efficiency	400	400
Operational Levy	8,995	-
Subscriptions/Renewals	20,559	20,454
Meeting Expenses	5,744	-
Specie Movement	7,697	5,420
Bank Charges	15,780	10,858
Repairs & Maintenance	62,622	51,506
Mobilisation & Recovery Expenses	12,308	10,079
Audit Fees	8,000	8,000
Audit Expenses	4,206	7,365
VAT Charge - Audit Fees	1,400	-
Depreciation	120,405	166,184
Total General & Administrative Expenses	1,317,637	1,088,302
TOTAL OPERATING EXPENSES	3,177,860	2,865,221

9 CREDIT IMPAIRMENT LOSS

Balance at Begin	80,721	268,604
Bad Debt written off	-	(133,050)
Charge For The Year	101,080	(54,833)
Balance at End	181,801	80,721

10 TAXATION

	Balance at 1/1/2017 GH¢	Payments during The Year GH¢	Charged Statement GH¢	Balance at 31/12/2017 GH¢
2015	-	(28,000)	52,573	24,573
2016	24,573	(170,891)	296,909	150,591
2017	150,591	(290,591)	241,550	101,550
	175,164	(489,482)	591,032	276,714

All tax liabilities are subject to the agreement with the Ghana Revenue Authority.

11 CASH AND BANK BALANCES

Cash on Hand	936,012	801,851
Current Account Balance - ARB APEX Bank Ltd	1,445,176	858,494
5% Placement - ARB APEX Bank Limited	812,689	689,763
	3,193,877	2,350,108

MPONUA RURAL BANK LIMITED

12	SHORT TERM INVESTMENTS		
	Treasury Bills - BOG	6,300,000	9,000,000
	Other Bills	7,000,000	3,000,000
		13,300,000	12,000,000
13	LOANS & ADVANCES TO CUSTOMERS		
	<i>a) Analysis By Type of Product</i>		
	Loans	5,301,677	3,794,801
	Overdraft	-	-
		5,301,677	3,794,801
	Less: Credit Impairment	-	-
		5,301,677	3,794,801
	<i>b) Analysis By Type of Customer</i>		
	Individuals	5,301,677	3,714,801
	Private Enterprises	-	-
		5,301,677	3,794,801
	Less: Credit Impairment	(181,801)	(80,721)
		5,119,876	3,714,080
14	OTHER ASSETS		
	Stationery Stocks	74,177	32,489
	Office Account	251,859	63,054
	Interagency Account	-	5,896
	Insurance - Prepayments	18,208	18,203
	Rent - Prepayments	148,420	125,654
	Managed Funds	-	67,261
	Interest on Investments	368,742	-
	Uncleared Effects	10,182	-
		871,589	312,557
15	INVESTMENTS IN EQUITIES		
	APEX Bank Limited - Ordinary Shares	41,404	41,404
		41,404	41,404

MPONUA RURAL BANK LIMITED

16a. PROPERTY, PLANT & EQUIPMENT

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Cost	Land GH¢	Equipment GH¢	Motor Vehicles GH¢	Furniture & Fitting GH¢	Computers & Accessories GH¢	Capital WIP GH¢	Total GH¢
Balance at 1/1/2017	50,000	338,346	345,464	38,724	294,582	418,768	1,485,884
Additions	-	11,013	102,930	3,250	6,155	-	123,347
Disposal	-	-	(40,020)	-	-	-	(40,020)
Balance at 31/12/2017	50,000	349,359	408,374	41,974	300,737	418,768	1,569,211
Depreciation							
Balance at 1/1/2017	-	301,957	158,735	17,547	276,383	-	754,622
Charge for the Year	-	11,484	98,782	4,398	5,742	-	120,406
Disposal	-	-	(32,345)	-	-	-	(32,345)
Balance at 31/12/2017	-	313,441	225,172	21,945	282,125	-	842,683
Carrying Amount							
31/12/2017	50,000	35,918	183,202	20,029	18,611	418,768	726,528

MPONUA RURAL BANK LIMITED

16b. PROPERTY, PLANT & EQUIPMENT

Cost	Land GH¢	Equipment GH¢	Motor Vehicles GH¢	Furniture & Fitting GH¢	Computers & Accessories GH¢	Capital WIP GH¢	Total GH¢
Balance at 1/1/2016	25,000	328,096	173,315	19,824	281,474	418,768	1,246,477
Additions	25,000	10,250	172,149	18,900	13,108	-	239,407
Balance at 31/12/2016	50,000	338,346	345,464	38,724	294,582	418,768	1,485,884
Depreciation							
Balance at 1/1/2016	-	230,455	115,476	13,653	228,854	-	588,438
Charge for the Year	-	11,252	43,259	3,894	12,139	-	70,544
Charge on Grant	-	60,250	-	-	35,390	-	95,640
Balance at 31/12/2016	-	301,957	158,735	17,547	276,383	-	754,622
Carrying Amount 31/12/2016	50,000	6,389	186,729	21,177	18,199	418,768	731,262

MPONUA RURAL BANK LIMITED

17 CUSTOMERS DEPOSITS		2017	2016
<i>Analysis By Type of Deposit</i>		GH¢	GH¢
Savings Accounts		9,676,096	7,979,061
Demand Accounts		2,252,684	1,913,232
Time Deposits		1,935,700	1,805,500
Susu		5,174,601	3,624,943
		19,039,081	15,322,736
18 CREDITORS & ACCRUALS			
Unearned Discount on Treasury Bills		147,009	246,050
Audit Fees & VAT		9,400	4,000
Office Account		117,622	114,261
Bills Payable		16,629	27,450
Managed Funds		12,015	-
Inter Branch		535	-
Accrued Interest		41,255	-
Others		165,545	248,840
Payment Order		22,402	1,300
		532,411	641,901
19 STATED CAPITAL		2017	2016
		GH¢	GH¢
i) a. Authorised Ordinary Shares of No Par Value		5,000,000,000	5,000,000,000
b. Authorised Preference Shares of No Par Value		125,000	125,000
ii) a. Issued Ordinary Shares of No Par Value		1,115,849.33	518,086.83
b. Capitalisation Issue			45,344.00
c. Preference Shares of No Par Value		125,000.00	125,000.00
iii) Proceeds of Issue for Cash			
a) Ordinary Shares		567,360	475,932
b) Capitalisation Issue		1,194,065	90,688
c) Issue of New Shares		1,460	740
d) Preference Shares		13	13
		1,762,898	567,373
iv) There is no unpaid liability on any share and there is no share in Treasury.			

MPONUA RURAL BANK LIMITED**20 STATUTORY RESERVE FUND**

Balance at Begin	636,083	530,524
Transfer From Income Surplus Account	77,766	105,559
Balance at End	<u>713,849</u>	<u>636,083</u>

The transfer to Statutory Reserve Fund represents 12.5% (2016:12.5%) of the Bank's net profit after tax and before dividend for the year. The transfer is in compliance with Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

21 CAPITAL SURPLUS

Balance at Begin	14,814	14,814
Additions	-	-
Balance at End	<u>14,814</u>	<u>14,814</u>

This represents the share value with shares held at ARB Apex Bank Limited

22 BUILDING FUND

Balance at Begin	146,000	110,000
Additions during the year	33,000	-
Transfer From Income Surplus	-	36,000
Funds Applied	179,000	146,000
Balance at End	<u>179,000</u>	<u>146,000</u>

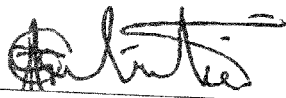
23 CONTINGENT LIABILITIES

There were no contingent liabilities at the Balance Sheet date.

24 CAPITAL COMMITMENTS

There were no commitments for capital expenditure at the Balance Sheet date.

BY ORDER OF THE BOARD




} DIRECTORS

21st May, 2018

MPONUA RURAL BANK LIMITED

Tax Computation Year of Assessment - 2017

		GH¢
Net Profit as per Accounts		863,682
Add Back:	Depreciation	120,406
	VAT on Audit Fees	1,400
	Doubtful Debts Charge	101,080
	Adjusted Profit	1,086,568
Less:	Capital Allowances: B/F	-
	Cap. All. Computed	120,370
		<u>120,370</u>
	Cap. All. Utilised	(120,370)
		<u>(120,370)</u>
Chargeable Income		966,199
Tax thereon @		25%
		241,550

This is subject to agreement with the Ghana Revenue Authority.

MPONUA RURAL BANK LIMITED

Capital Allowance Computation 2017 Year of Assessment

	COMPUTER & ACCESSORIES POOL 1 40% GH¢	MOTOR VEHICLE POOL 2 30% GH¢	FURNITURE & EQUIPMENT POOL 4 20% GH¢	BUILDINGS POOL 5 A 10% GH¢	BUILDINGS POOL 5 B 10% GH¢	TOTAL GH¢
WDV/ COST- 1/1/17	36,512	160,992	106,370	-	-	
ADDITIONS	6,155	102,930	14,263	-	-	
	42,667	263,922	120,633	-	-	
DEP. ALLOWANCE	17,067	79,177	24,127	-	-	
WDV 31/12/17	25,600	184,745	96,506	-	-	120,370

MPONUA RURAL BANK LIMITED

**Proxy Authorisation
Form**

I/We _____

_____ of _____

Being a Shareholder(s) of **MPONUA RURAL BANK LTD.**, hereby appoint

_____ on _____

at the Annual General Meeting of the Bank to be held at 10.00am on the 13 October, 2018 and at any adjournment thereon.

Signed on the _____ day of _____ 2018

(Shareholder's Signature)

NOTE:

Completed Proxy form should reach the Secretary, Mponua Rural Bank Ltd., not less than Seventy Two (72) hours to the time of the meeting.