AGAVE RURAL BANK LIMITED

FINANCIAL STATEMENTS

2014

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AGAVE RURAL BANK
CORPORATE INFORMATION

Directors	Mr. Francis Kwami Akoto	- Chairman
	Mr. Kwame- Gazo Agbenyadzie	- Vice Chairman
	Mr. Ephraim Kofi Dzinyela	- Member
	Mr. Lewis Stephen Adjin	- Member
	Prof. Lade Wosornu	- Member
	Mr. John K Mensah Zigah	- Member
	Mrs. Sefenya Ama Kpetigo – Ayittey	- Member

Secretary

Mr. Emmanuel Wilson Kwabla Afianu
P. O. Box 52, Dabala V/R

Registered office

Agave Rural Bank Limited
P. O. Box 52
Dabala V/R
Tel: 036-2091026

Management Team	John Ametepe Aheto	- Supervising Manager
	Daniel Augustine Modzaka	- Internal Audit Manager
	Micheal Agbetepey	- Manager, Sogakope Branch

Auditor

Eddie Nikoi Accounting Consultancy
Chartered Accountants And
Management Consultants
P. O. Box Os 51
Osu - Accra
Tel: 0302 - 774041 / 778784 & 0302-783403 (Dzorwulu Annex)
Fax 0302 - 760396 Mobile 0244 - 344041
E-Mail: enacosu@yahoo.Com / info@enacgh.com

Bankers

ARB Apex Bank Limited, Accra
Agricultural Development Bank Limited, Sogakope

AGAVE RURAL BANK
REPORT OF THE DIRECTORS

The Directors submit their report together with the Financial Statements of the Bank for the year ended 31st December, 2014.

Statement of Directors Responsibilities

The Bank's Directors are responsible for the preparation and a fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Banking Act, 2004(Act 673) as amended by the Banking (Amendment) Act 2007 (Act 738) and the Companies Act, 1963, (Act 179) and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Highlights of the Bank's results for the year are set out below;

	2014 **GH¢**	2013 **GH¢**
Operating income	1,933,926	1,373,842
Profit/(Loss) before tax	**369,136**	**314,673**
From which is deducted Provision for tax of	-39,046	-44,284
Leaving profit after tax of	330,090	270,389
To which is added income surplus brought forward	211,366	187,160
Income Surplus available for distribution	541,456	457,549
From which the following are made:		
Transfer to statutory reserve	-82,522	-67,183
Transfer to credit risk reserve	-74,451	-18,743
Transfer to Stated Capital	-83,306	-106,838
Prior year cash dividend	-83,306	-53,419
Leaving a balance carried forward on the Income Surplus Account of	**217,871**	**211,366**

Nature of Business

There has been no change in the nature of business of the Bank. The Bank is a public limited liability company incorporated to carry out the business of rural banking. The Bank's principal activity of retail banking was vigorously pursued.

Going Concern

Having assessed the performance of the Bank, the Directors strongly believe that the business of the Bank will continue as a going concern.

Dividends

The Board is proposing a cash dividend of GH¢0.0075 per share amounting to GH¢67,298.00 and a non-cash dividend of same to be fully credited as bonus issue

Auditors

The auditors, Eddie Nikoi Accounting Consultancy(Chartered Accountants) having expressed their willingness will continue in office in accordance with Section 134(5) of the Companies Act, 1963 (Act 179).

AGAVE RURAL BANK
REPORT OF THE DIRECTORS

Adoption of International Finanacial Reporting Standards (IFRS)

The Bank has adopted the International Financial Reporting Standards (IFRS), in compliance with directives from Bank Of Ghana (BoG).Consequently,a number of comparative account balances disclosed in the statements of financial position, comprehensive income, changes in equity and cash flows have been restated to ensure compliance with the requirements of IFRS. An explanation of how these restatements affected the Bank's financial position and performance is set out in the notes to the financial statements.

Approval of these Financial Statements

The financial statements of the Bank were approved by the Board of Directors on 15th August 2015 and signed on its behalf by:

…………………………	**…………………………**
Francis K. Akoto	**Kwame–Gazo Agbenyadzie**
(Chairman)	**(Vice Chairman)**

Dated at Dabala this 15-08-2015

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AGAVE RURAL BANK

We have audited the accompanying financial statements consisting of statement of financial position, statement of profit and loss, statement of changes in equity, cashflow statement and supporting notes of AGAVE RURAL BANK Limited, as at 31 December, 2014, set out on pages 8 to 39 which have been prepared on the basis of the significant accounting policies on page 14 to 22 and other explanatory notes on pages 23 to 39.

Directors responsibility for the accounts

The Bank's Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Code 1963, (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 ((Act 738).

Their responsibilities also include designing, implementing and maintaining internal controls relevant for the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are responsible in the circumstances; and taking such steps as are reasonably open to them to safeguard the assets of the Bank and Prevent and detect fraud, and other irregularities.

Auditors' Responsibilities

Our responsibility is to express an independent opinion, based on our audit of those financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements. An audit include examination on a test basis, of the evidence relevant to the significant estimates and judgements made by management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstance, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies Code 1963, (Act 179) and the Banking Act 2004 (Act 673) as Amended by the Banking Amendment Act of 2007 (Act 738). The financial statements give a true and fair view of the financial position of the company as at 31st December 2014, and of its financial performance and cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards.

AUDITORS REPORT CONT'D

Report of Other Legal and Regulatory Requirements

The Ghana Companies Act 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters.

We confirm that:

i. We have obtained information and explanations which to the best of our knowledge and believe were necessary for the purposes of our audit,

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

iii. The statement of Financial Position and Statement of Profit and Loss of the Bank are in agreement with the books of accounts.

The Banking Act 2004 (Act 673), section 78(2), requires that we state certain matters in our report

We hereby state that;

i. The accounts give true and fair view of the state of affairs of the Bank and its results for the period under review.

ii. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors.

iii. The Bank's transactions are within the powers, and

iii. The Bank complied with the provisions of Banking Act 2004 (Act 673) and the Banking (Amendment) Act of 2007 (Act 738)

SIGNED BY EDDIE NIKOI (ICAG/P/1040)
FOR AND ON BEHALF OF:
EDDIE NIKOI ACCOUNTING CONSULTANCY: (ICAG/F/2015/110)
CHARTERED ACCOUNTANTS
NEAR OSU RE KFC RESTAURANT
P. O. BOX OS 51
OSU - ACCRA
DATE :…………………………………………………………..

AGAVE RURAL BANK
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2014

	Notes	2014 GH¢	2013* GH¢
Assets			
Cash & short-term funds	13	1,006,043	620,293
Short term investments	14	1,279,497	2,800,977
Loans & advances	15	4,326,438	2,423,348
Long term investments	16	76,314	76,314
Other assets	17	118,598	107,700
Property,plant & equipment	26	310,955	338,353
Intangible assets		2,185	310
Total assets		**7,120,030**	**6,367,295**
Liabilities			

Customer deposits	18	5,398,118	5,137,459
Accruals	19	251,160	165,853
Sundry creditors	20	201,983	100,909
Taxation	11	44,694	18,002
Deferred tax	12	17,185	17,088
Total liabilities		**5,913,140**	**5,439,311**
Shareholders` fund			
Stated capital	21	448,653	333,225
Capital surplus	22	43,070	43,070
Income surplus		217,871	211,366
Statutory reserve	23	404,102	321,580
Credit risk reserve	24	93,194	18,743
Total owners` equity		**1,206,890**	**927,984**
Total liabilities & owners` equity		**7,120,030**	**6,367,295**

The notes on pages 13 to 39 are an integral part of these financial statements.

AGAVE RURAL BANK
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Notes	2014 GH¢	2013 GH¢
Interest income	6	1,911,185	1,424,313
Interest expense	7	-172,571	-207,349
Net interest income		**1,738,614**	**1,216,964**
Fees & commission income	8	147,583	138,104
Other operating income		47,728	18,774
Operating income		**1,933,926**	**1,373,842**
Operating expense	10	-1,460,044	-982,976
Impairment	9	-104,745	-76,193

Profit/(loss) before tax		**369,136**	**314,673**
Income tax	11	-38,950	-27,196
Deferred tax	12	-97	-17,088
Profit/(loss) after tax transferred to income surplus account		**330,090**	**270,389**

AGAVE RURAL BANK
INCOME SURPLUS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	2014 GH¢	2013 GH¢
Balance as at 1 January		**211,366**	**187,160**
Net profit/(loss) for the year		330,090	270,389
Transfer to statutory reserve	23	-82,522	-67,183
Transfer to stated capital	21	-83,306	-106,838
Cash Dividend paid		-83,306	-53,419
Transfer to credit risk reseve	24	-74,451	-18,743
Balance as at 31 December		**217,871**	**211,366**

AGAVE RURAL BANK
STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2014

	Notes	2014	2013
Operating activities		**GH¢**	**GH¢**
Cash generated from operations	25	498,841	412,477
Corporate tax paid	11	(12,258)	(30,842)
		486,583	**381,635**
Investing activities			
Purchase of property,plant & equipment	26	(47,149)	(136,551)
Purchase of intangible assets	27	(2,500)	(414)
Net cash used in investing activities		**(49,649)**	**(136,965)**
Financing activities			
Issued shares	21	32,122	12,711

Dividend paid	(83,306)	(53,419)
Net cash used in financing activities	(51,184)	(40,708)
Increase/(decrease) in cash& cash equivalents	385,750	203,962
Cash & cash equipments as at 1 January	620,293	416,331
Cash & cash equipments as at 31 December	**1,006,043**	**620,293**

AGAVE RURAL BANK
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR PERIOD ENDED 31ST DECEMBER, 2014

	Stated Capital GH¢	**Capital Surplus GH¢**	**Income Surplus GH¢**	**Statutory Reserve GH¢**	**Credit Risk Reserve GH¢**	**Total GH¢**
Balance as at January 1, 2014	**333,225**	**43,070**	**211,366**	**321,580**	**18,743**	**927,984**
Net profit for the year	-	-	330,090	-	-	**330,090**
Issued shares	32,122	-	-	-	-	**32,122**
Transfer to statutory reserve	-	-	-82,522	82,522	-	**-**
Transfer to stated capital	83,306	-	-83,306	-	-	**-**
Transfer to credit risk reseve	-	-	-74,451	-	74,451	**-**
Cash dividend paid	-	-	-83,306	-	-	**-83,306**
Balance as at December 31, 2014	**448,653**	**43,070**	**217,871**	**404,102**	**93,194**	**1,206,890**
Balance as at January 1, 2013	213,676	43,070	187,160	254,397	0	**698,303**
Net profit for the year	-	-	270,389	-	-	**270,389**

Issued shares	12,711	-	-	-	-	**12,711**
Transfer to statutory reserve	-	-	-67,183	67,183	-	**0**
Transfer to stated capital	106,838	-	-106,838	-	-	**0**
Transfer to credit risk reseve	-	-	-18,743	-	18,743	**0**
Dividend paid	-	-	-53,419	-	-	**-53,419**
Balance as at December 31, 2013	**333,225**	**43,070**	**211,366**	**321,580**	**18,743**	**927,984**

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

1.0 Reporting Entity

Agave Rural Bank Limited is a financial institution incorporated in Ghana. The address of the Bank is Post Office Box 52, Dabala, Volta Region.

2.0 Basis of Preparation

a. Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required under the Companies Act, 1963 (Act 179) and the Banking Act, 2004 Act 673 as amended by the Banking (Amendment) Act, 2007 Act 738 have been included, where appropriate.

b. Basis of Measurement

The financial statements have been prepared under the historical cost convention.

c. Functional and Presentation Currency

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

d. Use of 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 reporting 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.

e. Assumptions and estimated uncertainties

Information about assumptions and estimated uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is set out below. These relate to the impairment of financial instruments.

i. Impairment of financial instruments

Assets accounted for at amortized cost are evaluated for impairment on the basis described below.

The individual components of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy. Estimates of cash flows considered recoverable are independently approved by the Credit Risk Function.

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using a formula approach based on historical loss rate experience.

IBNR allowance covers credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

3.0 Significant Accounting Policies

3.1.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank Limited and the revenue can be reliably measured. The following are the basis for recognising various revenue items.

a. Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as fair value through profit and loss, are recognized within interest income and interest expense in the statement of comprehensive income using the effective interest method.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income includes interest on loans and advances and placements with other financial institutions, and is recognised in the period in which it is earned. Included in Interest Income from Loans and Advances is interest accrued on impaired financial assets. This income however forms part of the impairment charge for the year.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

b. Fees and Commissions

In the normal course of business, the Bank earns fees and commission income from diverse range of services to its customers. 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 are recognised as the related services are performed. Commitment fees on loans that are not likely to be drawn down are recognised upfront, together with related direct costs.

c. Dividends

Dividends are recognised in the statement of comprehensive income when the Bank's right to receive payment is established. Dividends are presented in other revenues.

3.1.2 Property and Equipment

a. Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

b. Subsequent Expenditure

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 future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

c. Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of property and equipment.

The estimated depreciation rates fare as follows:

Freehold Land and Building	3.00%
Office Equipment	25.00%
Furniture and Fittings	20.00%
Power Plant	15.00%
Motor Vehicles	33.33%

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted if appropriate.

d. Capital work in progress

Property and equipment under construction is stated at initial cost and depreciated from the date the asset is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate category of property and equipment when commissioned and ready for its intended use.

e. Dual-use property

Properties that are part used for own-use activities and part for rental activities are considered dual-use properties. This would result in the property being considered to be classified as part property and equipment and the other part as investment property. If a significant portion of the property is used for own-use and the portion rented out cannot be sold or leased out separately under a finance lease, then the entire property is classified as property and equipment. The Bank considers an own-use portion above 95% of the measure as significant.

f. Disposal

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. Gains and losses on disposals are included in the statement of comprehensive income.

g. Impairment

Annual impairment tests are carried out on property, plant and equipment if deemed appropriate, and where the carrying amounts are more than the recoverable amounts, they are written down to the recoverable amounts.

3.1.4 Intangible Assets - Computer Software

Intangible assets comprise computer software licenses. Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software is capitalized only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortized on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is three years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

At the end of each reporting period, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

3.1.5 Impairment of Non-Financial Assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3.1.7 Stated Capital and Reserves

a. Share Capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

b. Statutory Reserves

Statutory reserves are based on the requirements of section 29(1) of the Banking Act. Transfers into statutory reserves are made in accordance with the relationship between the Bank's's reserve fund and it's paid up capital, which determines the proportion of profits for the period that should be transferred.

(i) Where the reserve fund is less than 50% of the stated capital then an amount not less than 50% of net profit for the year is transferred to the reserve fund.

(ii) Where the reserve fund is more than 50% but less than 100% of the stated capital, then an amount not less than 25% of net profit is transferred to the reserve fund.

(iii) Where the reserve is equal to 100% of the stated capital, then an amount not less than 12.5% of the net profit for the year is transferred to the reserve fund.

c. Regulatory Credit Risk Reserve

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRS and Bank of Ghana's prudential guidelines.

d. Fiduciary Activities

the Bank Limited acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and incomes arising thereon are excluded from these financial statements, as they are not assets of the Bank.

3.1.8 Income Tax

Income tax is made up of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a. Current Tax

Current tax is the expected tax payable or receivable on taxable incomes or losses for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax arising from dividends.

b. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

3.1.9 Financial Assets and Liabilities

All financial assets and liabilities are recognized in the statement of financial position and measured in accordance with their assigned category.

the Bank Limited initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

a. Financial Assets

the BankLimited classifies its financial assets in the following categories: held to maturity, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

i. Held-to-maturity

the Bank classifies investments in Government securities as 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 assets are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method.

Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale, and would prevent the Bank from classifying government securities as held-to-maturity for the current and the following two financial years. Differences between the carrying amount (amortized cost) and the fair value on the date of the reclassification are recognized in other comprehensive income.

ii. Loans and Receivables

Loans and receivables comprises cash and cash equivalents, advances to other financial institutions, loans and advances to customers and other assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and that the Bank does not intend to sell immediately or in the near term.

Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method less any impairment losses.

iii. Available-For-Sale Financial Assets

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices that are not classified as held-to-maturity investments, financial assets at fair value through profit or loss or loans and receivables.

Available-for-sale investments comprise investment in equity securities.

Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Dividends on available-for-sale equity instruments are recognized in profit or loss in dividend income when the Bank's right to receive payment is established.

Other fair value changes, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

b. Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

i. Other Liabilities Measured At Amortized Cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortized cost.

Financial liabilities measured at amortized cost include deposits from customers, other liabilities and borrowings for which the fair value option is not applied.

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

c. Derecognition

i. Financial Asset

The Bank derecognises 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Bank is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

ii. Financial Liabilities

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

d. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them 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 under applicable accounting standards, or for gains and losses arising from a group of similar transactions such as in the Banks' trading activity.

e. Fair Value Measurement

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

f. Cash and Cash Equivalents

Cash and cash equivalents include Notes and coins on hand, balances held with ARB Apex Bank Limited, other bank balances and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

g. Impairment of Financial Assets

i. Assets carried at Amortized Cost

The Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at each reporting date. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

1 significant financial difficulty faced by the issuer or obligor.
2 a breach in the form of default or delinquency in interest or principal payments.
3 granting the borrower, as a result of financial difficulty, a concession that the lender would not otherwise consider.
4 a likely probability that the borrower will enter Bankruptcy or other financial reorganization.
5 the disappearance of an active market for that financial asset because of financial difficulties and
6 observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition, although the decrease cannot yet be identified with the individual assets in the Bank.

The Bank assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in groups of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period including property prices, payment status and other factors indicative of changes in the probability of losses and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of loss has been determined. Impairment charges relating to loans and advances are recognized in loan impairment charges whilst impairment charges relating to government securities (held to maturity and loans and receivables categories) are recognized in 'Net gains/(losses) on government securities.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

ii. Assets Classified As Available-For-Sale

The Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each reporting date. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. In general, the Bank considers a decline of 20% to be significant and a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

Impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can objectively be related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through other comprehensive income.

iii. Renegotiated Loans

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3.3 Provisions

Provisions are recognised if as a result of past events, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.6 Deposits, Amounts Due to Banks and Borrowings

This is mainly made up of customer deposits accounts, overnight placements by Banks and other financial institutions and medium term borrowings. They are categorised as other financial liabilities carried in the statement of financial position at amortised cost.

3.7 Events After the Statement of Financial Position Date

Events after the statement of financial position date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

3.8 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency of the Bank entities using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at exchange rates ruling at that date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss.

Foreign exchange gains and losses arising from the translation of items recognized in other comprehensive income are presented in other comprehensive income.

3.9 Foreign Operations

The assets and liabilities of foreign operations are translated into Ghana Cedis at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Ghana Cedis at the average exchange rates for the period.

Foreign currency differences arising on the translation of assets and liabilities of foreign operations are recognised in other comprehensive income and presented within equity in a foreign currency translation reserve (translation reserve).

When a foreign operation is disposed of, the related amount in the translation reserve is transferred to profit or loss.

4. Financial Risk management

4.1 Introduction and Overview

the Bank's activities expose it to a variety of operational and financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. the Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The most important types of risk include:

- Credit Risk
- Liquidity Risk
- Market Risk (includes currency, interest rate and other price risk)
- Operational Risk

4.1.1 Risk management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Risk Oversight Committee and a Risk Department to assist in the discharge of this responsibility.

the Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. the Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

the Bank's Risk Committee is responsible among other things for authorising the scope of the risk management function and renewing and assesing the integrity of the risk control systems, ensuring that the risk policies and strategies are effectively managed.

4.2 Credit Risk

Credit risk is the potential for financial loss due to the failure of counterparties to meet obligations to pay the Bank in accordance with agreed terms. Credit risk is the most important risk for the Bank's business. management carefully manages its exposure to credit risk. Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts, debt securities and other bills, investments, and acceptances and credit equivalent amounts related to off-balance sheet financial items. the Bank's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into business management processes. Credit risk is managed through a framework that sets out policies and procedures covering the identification, measurement and management of credit risk. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance a strong credit culture.

a. Concentration Risk

Credit concentration risk is the risk of loss to the Bank arising from excessive concentration of exposure to a single counterparty, industry sector, product or geographic area. Large exposure limits have been established under the Bank's credit policy in order to avoid excessive losses from any single counter-party who is unable to fulfill its payment obligations. These risks are monitored on an ongoing basis and subject to annual or more frequent reviews when considered necessary.

b. Credit Mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, credit insurance and other guarantees.

The reliance that can be placed on these mitigants is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types.

c. Collateral

In order to proactively respond to credit deterioration, the Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Collateral is held to mitigate credit risk exposures. Collateral types that are eligible for risk mitigation include: cash residential, commercial and industrial property property and equipment such as motor vehicles, plant and machinery and Bank guarantees.

The risk mitigation policy prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Where appropriate, collateral values are adjusted to reflect current market conditions. Longer-term finance and lending to corporate entities are generally secured individual credit facilities are generally unsecured. In addition, in order to minimize credit loss, the Bank seeks additional collateral from counterparties as soon as impairment indicators are noticed for relevant individual loans and advances.

e. Impairment and Provisioning Policies

f. Impairment

The estimated period between a loss and its identification in general, vary between three months and twelve months and in exceptional cases, longer periods. In any decision relating to the raising of impairment charges, the Bank attempts to balance economic conditions, local knowledge and experience. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment charge has been raised, then that amount is written off after obtaining approval from the Board as well as the relevant regulatory authorities.

g. Early Alerts

Accounts are placed on early alert status when they display signs of weakness. Such accounts and portfolios are subject to a dedicated process of oversight involving Senior Risk Officers and Remedial Officers in the Loans Recovery Unit. The approach to Early Alerts monitoring include but not limited to:

- Deterioration of the customer’s financial position
- Delays by customers in settling their dues
- Overdraft balances exceeding approved limits
- Clear indications of the customer not being able to settle commitments on due dates

Customer payment plans are re-evaluated and remedial actions agreed and monitored until delinquency situations are resolved. Remedial actions include, but are not limited to, exposure reduction, security enhancement and movement of the account to the Loans Recovery Unit.

h. Provisioning

An account is considered to be in default when payment is not received on due date. Accounts that are overdue by more than 90 days are considered delinquent. These accounts are closely monitored and subjected to a collection process. The process used for provisioning is based on Bank of Ghana guidelines which recognize cash as a credit mitigant. Individual provisions are made for outstanding amounts depending on the number of days past due with full provisions made after 365 days. In certain situations such as Bankruptcy, fraud and death, the loss recognition process is accelerated. Loans and advances less than 90 days past due are generally not considered impaired unless other information is available to indicate otherwise.

Bank of Ghana Guideline is as set out below:

Grade Description	Number of days	Provision (%)
Current	Less than 30 days	1
Other Loans	30 to less than 90 days	10
Substandard	90 to less than 180 days	25
Doubtful	180 to less than 365 days	50
Loss	365 days and above	100

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

4.3 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

a. Management of Liquidity Risk

the Bank’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank’s reputation.

the Bank maintains a portfolio of short-term liquid assets, largely made up of short-term liquid government securities, loans and advances to other financial institutions, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Liquidity risk management is under the auspices of the Asset and Liability Committee (ALCO) and is responsible for both statutory and prudential liquidity requirements. These responsibilities are managed through various policies and procedures which include the following:

b. Control of Cash flow

The day-to-day funding is managed by monitoring future cash flows including undrawn commitments to ensure that requirements are met at all times.

c. Management of Portfolio of Liquid Assets

the Bank maintains a portfolio of highly marketable assets that can easily be liquidated to raise funds in the event of unforeseen disruption to the Bank's cash flow.

d. Monitoring of Liquidity Ratios

Liquidity ratios are monitored against internal guidelines as well as regulatory and statutory requirements to ensure that the Bank is compliant at all times.

e. Maturity Agave Rural Bank Management

This invloves monitoring and managing the concentration and profile of assets and liabilities maturities.

4.5 Market Risks

the Bank takes on exposure to market risk, which is the risk of potential loss of earnings or economic value due to adverse changes in financial market rates or prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. the Bank's exposure to market risk arises principally from customer-driven transactions and pension obligations. the Bank does not engage in proprietary trading.

Management of Market Risks

Overall responsibility for management of market risk rests with Assets and Liability Committee (ALCO). The Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

4.6 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

a. Management of Operational Risks

the Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit division. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

5. Capital Management

Bank of Ghana sets and monitors capital requirements for the Bank. the Bank's objectives when managing capital are:

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by Bank of Ghana.

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis and the consolidated capital adequacy ratio on quarterly basis.

i. Regulatory Capital

the Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital includes Stated Capital, Disclosed Reserves and Permanent Non Cumulative Reserves.
- Tier 2 capital includes Revaluation Reserves and Subordinated Term Debts

Non-risk weighted assets are classified as cash on hand, claims on government and claims on Bank of Ghana. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

the Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on guidelines developed by the Basel Committee as implemented by Bank of Ghana for supervisory purposes.

ii. Capital Adequacy

Relevant rules and ratios of the Basel Accord on Banking supervision, which have been adopted by Bank of Ghana are used in monitoring the adequacy of the Bank's capitals.

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

6 Interest income

	2014 GH¢	2013 GH¢
Loans & advances	1,616,412	867,778
Investment securities	294,773	556,535
	1,911,185	**1,424,313**

7 Interest expense

	2014 GH¢	2013 GH¢
Savings account	117,625	77,573
Time deposits	54,946	129,776
	172,571	**207,349**

8 Fees & commission income

	2014 GH¢	2013 GH¢
Commitment fee	75,182	70,207
Commission	72,401	67,897
	147,583	**138,104**

9 Impairment loss

	2014 GH¢	2013 GH¢
Opening balance	254,804	178,611
Increase in impairment	104,745	76,193
Closing balance	**359,549**	**254,804**

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

10 Operating expenses

	2014 GH¢	2013 GH¢
Salaries, wages & allowances	867,053	519,913
Directors remuneration	22,865	29,419
Board meeting expenses	65,427	61,847
Staff training expenses	10,184	4,813
Travelling & transport	62,174	12,758
Police guard expenses	16,868	8,531
Printing & stationery	24,685	28,703
Medical expenses	6,904	5,311
Repairs & maintenance	30,209	15,465
Rent & property rates	4,373	1,300
Postage & telephone	10,510	7,225
Cleaning & sanitation	22,225	18,521
Insurance	7,684	6,010
Electricity	65,664	24,780
Bad debt written off	-	57,366
Periodicals & subsription	14,674	8,906
Vehicle running expenses	26,629	19,195
Office expense & consumables	16,051	5,902
Advertising & publicity	213	-
Legal expenses	16,463	7,742
Donations	6,750	11,756
Audit fee	14,000	7,050
Audit expense	1,492	5,144
AGM Expense	8,289	4,370
Amortisation	625	103
Depreciation	74,547	74,458
Bank charges	19,254	7,807
Penalty claim	6,000	-
Software maintenance cost	38,325	28,581
	1,460,044	**982,976**

11 Computation of tax payable

	2014	2013
	GH¢	GH¢
Net profit/(loss) before tax	369,136	295,929
Add back depreciation	74,547	74,458
Add back amortisation	625	103
Add back impairment	104,745	23,127
Add back donation	6,750	11,756
Add back penalty	6,000	0
Adjusted profit	561,804	405,373
Less capital allowance	-74,935	-65,427
Chargeable income	486,869	339,946
Tax thereon @ 8%	38,950	27,196
Balance brought forward	18,002	21,648
	56,952	48,844
Less payment during the year	-12,258	-30,842
Balance carried forward	**44,694**	**18,002**

12 Deferred tax

	2014	2013
	GH¢	GH¢
Opening balance	17,088	-
Charge for the year	97	17,088
Closing balance	**17,185**	**17,088**

13 Cash & short term funds

	2014	2013
	GH¢	GH¢
Cash in hand	502,218	269,661
ARB pex bank	44,627	16,998
ARB pex bank-5% deposit	342,416	272,215
ADB-Sogakope	116,782	61,419
	1,006,043	**620,293**

14 Short term investment

	2014	2013
	GH¢	GH¢
Treasury bill	1,290,335	2,614,254
Unearned discount	-10,838	-13,277
Acod 7/30	-	200,000
	1,279,497	**2,800,977**

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

15 Loans & advances

	2014	2013
	GH¢	GH¢
Analysis by type		

	2014 GH¢	2013 GH¢
Term loans	3,749,893	1,737,547
Overdrafts	936,094	940,604
	4,685,987	2,678,152
Impairment	-359,549	-254,804
Net loans & advances	**4,326,438**	**2,423,348**

	2014	**2013**
	GH¢	**GH¢**
Analysis by business segment		
Agriculture & fishing	937,197	144,393
Commerce & finance	1,405,796	421,392
Others: private/public	937,197	1,742,754
Transport	937,197	168,548
Cottage industry	468,599	201,065
	4,685,987	2,678,152
Impairment	-359,549	-254,804
Net loans & advances	**4,326,438**	**2,423,348**
Analysis by type of customer		
Individuals	1,979,863	1,742,754
Private enterprises	1,120,840	935,398
Others	1,585,284	0
	4,685,987	2,678,152
	-359,549	-254,804
Net loans & advances	**4,326,438**	**2,423,348**

16 Long term investment

	2014	**2013**
	GH¢	**GH¢**
90,077 Shares with ARB Apex Bank Limited	**76,314**	**76,314**

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

17 Other assets

	2014	**2013**
	GH¢	**GH¢**
Stationery stock	14,453	7,333
Insurance prepaid	11,229	4,832
Interest receivable	49,403	89,305

Ezwich suspense	1,461	1,967
Sundry debtor	19,851	4,263
Rent prepaid	22,200	-
	118,598	**107,700**

18 Customer deposits

	2014	**2013**
	GH¢	**GH¢**
Current accounts	1,190,643	743,614
Savings account	3,946,137	3,000,482
Time deposits	183,800	1,347,770
Susu savings	77,539	45,593
	5,398,118	**5,137,459**

19 Accruals

	2014	**2013**
	GH¢	**GH¢**
Audit expense	-	2,153
Audit fee	14,000	7,050
Provision for AGM	7,592	10,000
Unclaimed dividend	99,581	58,428
Staff retirement benefit	55,611	31,611
Provision for staff bonus	66,600	10,475
Interest payable	6,975	45,815
Police guard expense	800	322
	251,160	**165,854**

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

20 Sundry creditors

	2014	**2013**
	GH¢	**GH¢**
Clearing suspense	123,586	-
Unallocated transfer	-	50
Wumt seed fund facility	5,520	5,520
Nyep -salary suspense	4,388	1,515
Insurance on loan	2,536	16,118

Controller & accountant general	1,715	2,416
Other sundry creditors	2,102	10,046
Payment order- school fees	16,575	35,805
Bill payable	45,561	29,439
	201,983	**100,909**

21 Stated capital

Authorised:	**2014 No. of shares**	**2013 No. of shares**
Number of ordinary shares of no par value	100,000,000	100,000,000

Issued:

	2014 No. of shares	**2014 GH¢**	**2013 No. of shares**	**2013 GH¢**
Opening balance	6,664,500	333,225	4,273,520	213,676
Issued during the year	642,440	32,122	254,220	12,711
Issue of bonus shares during the year as fully paid	1,666,120	83,306	2,136,760	106,838
Closing balance	**8,973,060**	**448,653**	**6,664,500**	**333,225**

22 Capital surplus

	2014 GH¢	**2013 GH¢**
Balance at 1 January	43,070	43,070
Revaluation surplus	-	-
Disposals/reversals	-	-
Balance at 31 December	**43,070**	**43,070**

23 Statutory reserve

	2014 GH¢	**2013 GH¢**
Balance at 1 January	321,580	254,397
Transfer from profit for the year	82,522	67,183
Balance at 31 December	**404,102**	**321,580**

AGAVE RURAL BANK
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2014

24 Credit risk reserve

	2014 GH¢	**2013 GH¢**
Balance at 1 January	18,743	-
Transfer from income surplus	74,451	18,743
Balance at 31 December	**93,194**	**18,743**

25 Notes to the cashflow statement

	2014	**2013**

	GH¢	GH¢
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	369,136	295,929
Adjustment for:		
Depreciation	74,547	74,458
Amortisation	625	103
	444,308	370,490
(Increase)/decrease in short term investment	1,521,479	(932,629)
(Increase)/decrease in loans & advances	(1,903,089)	(309,697)
(Increase)/decrease in other assets account	(10,897)	158,492
(Increase)/decrease in amount due to customers	260,659	1,173,612
(Increase)/decrease in creditors & accruals	186,381	(47,791)
Cash generated from operations	**498,841**	**412,477**

(b) Analysis of balances of cash and cash equivalent		
Cash & short term funds	**1,006,043**	**620,293**

26 Property, Plant & Equipment

	Land & Building	Office Equipment	Furniture & Fittings	Power Plant	Motor Vehicle	Total
Cost/valuation	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at 1/1/2014	270,102	156,696	77,000	13,211	99,427	616,436
Additions	-	20,338	1,450	-	25,361	47,149
Disposal	-	-	-	-	-	-
Balance at 31/12/2014	270,102	177,034	78,450	13,211	124,788	663,585
Accumulated depreciation						
Balance at 1/1/2014	47,917	119,173	32,405	12,793	65,796	278,084
Charge for the year	7,981	26,010	14,161	270	26,125	74,547
Disposal						
Balance at 31/12/2014	55,898	145,183	46,566	13,063	91,921	352,631
Net book value						
As at 31/12/2014	**214,204**	**31,852**	**31,884**	**148**	**32,867**	**310,955**
As at 31/12/2013	**222,185**	**37,524**	**44,595**	**418**	**33,631**	**338,353**

27 Intangible assets

	2014 GH¢	2013 GH¢
Cost/valuation		
Balance at 1 January	414	-
Additions	2,500	414
Disposal	-	-
Balance at 31 December	2,914	414
Accumulated depreciation		
Balance at 1 January	103	-
Charge for the year	625	103
Balance at 31 December	728	103

Net book value	**2,185**	**310**

28 Computation of capital allowance

	Land & Building	Office Equipment	Furniture & Fittings	Power Plant	Motor Vehicle	Computers & Software
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
W.D.V as at 1/1/2014	123,239	33,990	47,691	806	49,300	14,975
Additions	-	10,340	1,450	-	25,361	9,998
	123,239	44,330	49,141	806	74,661	24,973
Capital allowance	23,692	8,866	9,828	161	22,398	9,989
W.D.V as at 31/12/2014	99,547	35,464	39,313	645	52,263	14,984
Pool number	5	4	4	4	2	1
Rates	10%	20%	20%	20%	30%	40%

29 Computation of capital allowance

	POOL 1	POOL 2	POOL 4	CLASS 5A	TOTAL
Rates	**40%**	**30%**	**20%**	**10%**	
	GH¢	**GH¢**	**GH¢**	**GH¢**	**GH¢**
W.D.V as at 1/1/2014	14,975	49,300	82,487	123,239	
Additions	9,998	25,361	11,790	-	
	24,973	74,661	94,277	123,239	
Capital allowance	9,989	22,398	18,855	23,692	**74,935**
W.D.V as at 31/12/2014	14,984	52,263	75,422	99,547	

Summary	**2014**	**2013**
	GH¢	
Opening balance	-	-
Capital allowance	74,935	65,427
	74,935	65,427
Allowance utilised	(74,935)	(65,427)
Closing balance	**-**	**-**

AGAVE RURAL BANK
EXPLANATION OF TRANSITION TO IFRS

30 Explanation of transition to IFRS

In preparing its opening balance sheet, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with the previous accounting framework, Ghana Accounting Standards (GAS). An explanation of how the transition from GAS to IFRS has affected the bank's financial performance is set below.

31 Reconciliation of profit previously reported under GAS to that reported by IFRS as at 31 December 2013

	Notes	GAS	ADJUSTMENTS	IFRS
		GH¢		**GH¢**
Interest income	34a	1,423,421	892	1,424,313
Interest expense		-207,349	0	-207,349
Net interest income		**1,216,072**	**892**	**1,216,964**
Fees & commission income		138,104	0	138,104
Other operating income		18,774	0	18,774
Operating income		**1,372,950**	**892**	**1,373,842**

Operating expense	34a	-982,084	-892	-982,976
Impairment	34b	-94,936	18,743	-76,193
Profit/(loss) before tax		**295,930**	**18,743**	**314,673**
Income tax		-27,196	0	-27,196
Deferred tax	34e	0	-17,088	-17,088
Profit/(loss) after tax transferred to income surplus account		**268,734**	**1,655**	**270,389**

AGAVE RURAL BANK
EXPLANATION OF TRANSITION TO IFRS

32 Reconciliation of net assets previously reported under GAS to that reported by IFRS as at 31 December 2013

	Notes	GAS GH¢	ADJUSTMENTS	IFRS GH¢
Assets				
Cash & short-term funds		620,293	0	620,293
Short term investments		2,800,977	0	2,800,977
Loans & advances	34b	2,404,605	18,743	2,423,348
Long term investments		76,314	0	76,314
Other assets		107,700	0	107,700
Property,plant & equipment	34c	338,663	-310	338,353
Intangible assets	34c	-	310	310
Total assets		**6,348,552**	**18,743**	**6,367,295**
Liabilities				
Customer deposits		5,137,459	0	5,137,459
Accruals		249,159	-83,306	165,853
Sundry creditors		100,909	0	100,909
Taxation		18,002	0	18,002
Deferred tax	34e	-	17,088	17,088
Total liabilities		**5,505,529**	**(66,218)**	**5,439,311**

Shareholders` fund				
Stated capital		416,531	-83,306	333,225
Capital surplus		43,070	0	43,070
Income surplus	34e	61,842	149,524	211,366
Statutory reserve		321,580	0	321,580
Credit risk reserve	34b	-	18,743	18,743
Total owners` equity		**843,023**	**84,961**	**927,984**
Total liabilities & owners` equity		**6,348,552**	**18,743**	**6,367,295**

AGAVE RURAL BANK
EXPLANATION OF TRANSITION TO IFRS

33 Reconciliation of opening balance sheet - 31st December 2012 to 1st January 2013

	Notes	GAS GH¢	ADJUSTMENTS	IFRS GH¢
Assets				
Cash & short-term funds		416,331	-	416,331
Short term investments		1,868,347	-	1,868,347
Loans & advances		2,094,908	-	2,094,908
Long term investments		76,314	-	76,314
Other assets		266,672	-	266,672
Property,plant & equipment		276,259	-	276,259
Intangible assets		-	-	-
Total assets		**4,998,831**	**-**	**4,998,831**
Liabilities				
Customer deposits		3,963,847	-	3,963,847
Accruals		172,358	-	172,358
Sundry creditors		195,522	-	195,522
Taxation		21,648	-	21,648
Deferred tax		-	-	-
Total liabilities		**4,353,376**	**-**	**4,353,376**
Shareholders` fund				
Stated capital		320,514	-	320,514
Capital surplus		43,070	-	43,070
Income surplus		27,474	-	27,474
Statutory reserve		254,397	-	254,397
Credit risk reserve		-	-	-
			-	

Total owners` equity	**645,455**	**-**	**645,455**
Total liabilities & owners` equity	**4,998,831**	**-**	**4,998,831**

AGAVE RURAL BANK
EXPLANATION OF TRANSITION TO IFRS

34 Notes

The adjustments listed above have been described in the Notes set out below :

a. Under GAS, loans granted to staff at concessionary rates were recorded at the amount of principal and interest outstanding. In accordance with IFRS however, such loans are to be recognised at fair value. An adjustment was therefore made to both interest income and staff cost.

b. Under GAS, provisions for bad debt were computed based on past due days as set out in the Central Bank's guidelines. A general provision was also required for net current contingent liabilities. Under IFRS, the impairment loss evaluation is done by comparing outstanding loan balances with collateral securities and expected cashflows(discounted to present value). An adjustment was therefore made in accordance with this.

c. Adjustment to reclassify intangible assets (computer software) from Property and Equipment

d. A reserve set aside to ensure Impairment loss evaluation under IFRS is consistent with the requirment of Bank of Ghana Provisioning on loans

e. Deferred tax is computed for differences between the carrying amount per the books of the Bank and tax base per Ghana Revenue Authority.