

# ABII NATIONAL SAVINGS & LOANS LIMITED

## Annual Reports and Financial Statement for the year ended December 31, 2017

### REPORT OF THE DIRECTORS TO THE MEMBERS

The directors present their report together with the audited financial statements of the operations of ABII National Savings and Loans Limited for the year ended 31 December 2017.

#### Statement of directors' responsibility

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of profit or loss and financial position and cash flows for that period. In preparing these financial statements, the directors have exercised suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with the requirements of the Companies Act, 1963 (Act 179), the Banks and Specialised Deposit-Taking Institutions Act 2016 (Act 930) and the Anti-Money Laundering Act 2008 (Act 749) as amended in 2014.

The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Principal activities

The company is private limited liability company registered and incorporated under the Companies Act, 1963 (Act 179) to carry savings and loans and related business.

#### Results of operations

The loss for the year ended 31 December 2017 of GHS 5,670,295 is shown in the attached financial statements.


#### Auditors


The Auditors, Ernst & Young, Chartered Accountants, having indicated their willingness to continue in office as Auditors pursuant to Section 134 (5) of the Companies Act, 1963 (Act 179).

#### Compliance with law and Regulations

The company in the year under review recorded a Capital Adequacy Ratio (CAR) of 4.86% below the 10% minimum required by the Bank of Ghana in December 2017.

Signed on behalf of the Board:

Director:   
Date: 06/06/18

Director:   
Date: 06/08/18

**EY** Ernst & Young Chartered Accountants  
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Airport Residential Area  
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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABII NATIONAL SAVINGS AND LOANS LIMITED

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of ABII National Savings and Loans Limited (the Company) set out on pages 16 to 46, which comprise the statement of profit or loss and other comprehensive income, the statement of financial position as at 31 December 2017, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of ABII National Savings and Loans Limited. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing the audit of ABII National Savings and Loans Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We communicate with the 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

##### Report on other legal requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- Proper returns adequate for the purpose of our audit have been received from branches not visited by us; and
- The balance sheet (statement of financial position) and the profit or loss account (profit or loss statement) of the Company are in agreement with the books of account.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) under section 85(2) requires that we report on certain matters. Accordingly, we state that:

- The accounts give a true and fair view of the statement of affairs of the Company and the results of operations for the year under review;
- We were able to obtain all the information and explanation required for the efficient performance of our duties;
- The transactions of the bank are generally within the powers of the Company;
- The Company has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) and the Anti-Terrorism Act, 2008 (Act 762) and regulations made under these enactments;
- The Company has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) except that the Company's Capital Adequacy Ratio (CAR) is below the 10% minimum required as a result of operational losses incurred. This breach of has been disclosed in Note 24 of the attached financial statements.

Signed for and on behalf of Ernst & Young (EYAGF/1712)  
Chartered Accountants  
Accra, Ghana

Date: 6 August 2018

### Key Audit Matter

How the matter was addressed in audit

**Impairment of loans and advances in line with IFRS**  
The carrying amount of the Company's loans and advances amounted to GHS62,744,558 representing 49% of the total assets of the company. Due to the significance of this asset and the related estimation uncertainty of the provision for impairment, this is considered a key audit risk. Disclosures related to impairment losses and the Company's accounting policies regarding estimating these have been disclosed in notes 2.6(i), 7 and 22.

The appropriateness of loan loss provisions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, and estimated time to realisation of collaterals. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions.

Adequacy of regulatory credit risk provisioning  
In addition to the application of IFRS impairment rules, Bank of Ghana has specific rules governing regulatory provisions as disclosed in note 2.9 of the financial statements. Unlike IFRS impairment rules however, regulatory provision rules are more deterministic and triggered mainly by the number of days a facility has been in default.

The excess of regulatory provision over IFRS provision is recognised directly in equity as Credit risk reserves. Regulatory credit risk provisions represent a key risk area for the bank as misstatements in the carrying amount of this balance could have significant impact on the bank's financial statements including the accuracy of its capital adequacy computations and other key industry performance indicators.

##### Other information

The directors are responsible for the other information. The other information comprise report of the Directors. Other information does not include the 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017


	Notes	2017 GHS	2016 GHS
Interest and similar income	3	40,883,100	27,154,374
Interest and similar expense	4	(19,068,709)	(13,653,247)
<b>Net interest income</b>		<b>21,814,391</b>	<b>298,767</b>
Fees and commission income	5	507,648	726,590
Other operating income	6	417,861	14,526,484
<b>Total operating income</b>		<b>22,739,900</b>	<b>13,538,006</b>
Credit loss expenses	7	(5,398,156)	(9,136,364)
<b>Net operating income</b>		<b>17,341,744</b>	<b>(6,720,716)</b>
Personnel expenses	8	(9,413,749)	(17,556,953)
Depreciation and amortization expenses	9c	(2,185,692)	(4,018,947)
General, selling and administrative expenses		(11,412,598)	-
<b>Total operating expenses</b>		<b>(23,012,039)</b>	<b>(4,018,947)</b>
<b>Profit before tax</b>		<b>(5,670,295)</b>	<b>(4,018,947)</b>
Income tax	2.13	(5,670,295)	-
Loss for the year	10	-	-
Other comprehensive income:			
<b>LOSS FOR THE YEAR</b>		<b>(5,670,295)</b>	


The attached notes 1 to 24 form an integral part of these financial statements.

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 GHS	2016 GHS
<b>Assets</b>			
Cash and cash equivalents	11a	14,868,886	8,541,655
Due from banks and other financial institutions	12	37,186,813	18,137,794
Loans and accounts receivable	13	62,744,558	50,274,247
Other assets	14	4,496,811	4,952,465
Property, plant and equipment	9a	6,463,872	8,459,862
Intangible assets	9b	1,333,510	17,910
<b>Total assets</b>		<b>127,094,250</b>	<b>90,383,933</b>
<b>Liabilities and equity</b>			
Customer deposits and interest payables	15	114,192,221	68,882,673
Borrowings	15	2,604,649	4,806,901
Other liabilities	16	3,712,024	4,438,708
<b>Total liabilities</b>		<b>120,508,894</b>	<b>78,128,282</b>
<b>Equity</b>			
Stated capital	17	28,827,016	28,827,016
Retained earnings		(30,876,437)	(21,767,395)
Credit risk reserve		8,634,777	5,196,030
<b>Total equity</b>		<b>6,585,356</b>	<b>12,255,651</b>
<b>Total liabilities and equity</b>		<b>127,094,250</b>	<b>90,383,933</b>

The financial statements were issued authorised for issue by the Board on ..... and signed on its behalf by:

Director:   
Date: 06/06/18

Director:   
Date: 06/08/18

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 GHS	2016 GHS
<b>OPERATING ACTIVITIES</b>			
Loss before taxation		(5,670,295)	(4,018,947)
Adjustments for:			
Provision for credit losses	7	5,398,156	988,478
Depreciation	9c	1,551,642	1,569,906
Loss on asset disposal		86,008	-
Amortisation	9c	634,050	129,967
<b>Operating profit before working capital changes</b>		<b>1,913,553</b>	<b>(1,244,588)</b>
Increase in loans and accounts receivable		(17,868,467)	(16,445,699)
Decrease/(increase) in other assets		455,852	1,096,058
Increase in deposits and interest payable		45,309,548	12,501,711
(Decrease)/Increase in borrowings		(2,202,252)	173,329
(Decrease)/Increase in other liabilities		(726,684)	2,091,345
<b>Net cash generated/(used) in operating activities</b>		<b>26,881,550</b>	<b>(1,827,844)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of Intangibles and property, plant and equipment	9a and b	(1,505,300)	(1,034,471)
<b>Net cash flows from investing activities</b>		<b>(1,505,300)</b>	<b>(1,034,471)</b>
<b>FINANCING ACTIVITIES</b>			
Additional capital raised		-	15,326,016
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>15,326,016</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	11b	<b>25,376,250</b>	<b>12,463,701</b>
Cash and cash equivalents at 1 January		26,679,449	26,679,449
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>52,055,699</b>	<b>39,143,150</b>
		20,852,222	16,358,755
		22,253,072	7,813,467

The attached notes 1 to 24 form an integral part of these financial statements.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Stated capital GHS (note 17)	Retained earnings GHS	Credit Risk Reserve GHS	Total GHS
Balance as of 1 January 2017	28,827,016	(21,767,395)	5,196,030	12,255,651
Transfer to Credit Risk Reserve	-	(3,438,747)	3,438,747	-
Total comprehensive income	-	(5,670,295)	-	(5,670,295)
<b>Balance as of 31 December 2017</b>	<b>28,827,016</b>	<b>(30,876,437)</b>	<b>8,634,777</b>	<b>6,585,356</b>
Balance as of 1 January 2016	13,501,000	(16,383,281)	3,830,863	948,582
Additional capital contribution	15,326,016	-	-	15,326,016
Transfer to stated capital	-	-	-	-
Transfer to Credit Risk Reserve	-	(1,365,167)	1,365,167	-
Total comprehensive income	-	(4,018,947)	-	(4,018,947)
<b>Balance as of 31 December 2016</b>	<b>28,827,016</b>	<b>(21,767,395)</b>	<b>5,196,030</b>	<b>12,255,651</b>

The attached notes 1 to 24 form an integral part of these financial statements.