

# AGRICULTURAL DEVELOPMENT BANK

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT For the year ended 31 December 2010

	Bank 2010 GH¢	Group 2010 GH¢	Bank 2009 GH¢
Interest income	142,841,999	142,841,999	81,415,938
Interest expense	(37,411,568)	(37,411,568)	(39,603,155)
Net interest income	105,430,431	105,430,431	41,812,783
Fee and commission income	29,500,894	29,500,894	28,627,193
Other operating income	8,223,057	8,223,057	6,548,424
<b>Operating income</b>	<b>143,154,382</b>	<b>143,154,382</b>	<b>76,988,400</b>
Impairment losses on loans and advances	(6,685,484)	(6,685,484)	(15,896,510)
Bad debts written off	(64,482,546)	(64,482,546)	-
Operating expenses	(114,182,823)	(114,182,823)	(61,947,745)
Other Income	80,289,807	80,289,807	15,852,975
Other Expenses	(3,130,070)	(3,130,070)	(1,663,051)
<b>Profit before National Stabilization Levy</b>	<b>34,963,266</b>	<b>34,963,266</b>	<b>13,334,069</b>
National Stabilization Levy	(1,748,163)	(1,748,163)	(666,703)
<b>Profit after National Stabilization Levy</b>	<b>33,215,103</b>	<b>33,215,103</b>	<b>12,667,366</b>
Earnings Per Share	1.329	1.329	0.507

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2010

	Bank 2010 GH¢	Group 2010 GH¢	Bank 2009 GH¢
<b>Assets</b>			
Cash and balances with Central Bank of Ghana	93,263,879	93,263,879	75,890,943
Government securities	165,924,199	165,924,199	125,593,869
Deposits and balances due from banking institutions	34,848,234	34,848,234	48,952,351
Other investments	35,157,364	35,157,364	12,458,696
Loans and advances to customers (net)	576,986,904	576,986,904	372,864,956
Other assets	89,501,234	89,501,234	73,745,535
Property and equipment	10,215,202	24,644,011	25,058,866
<b>Total assets</b>	<b>1,005,897,016</b>	<b>1,020,333,500</b>	<b>734,565,216</b>
<b>Liabilities</b>			
Customer deposits	536,079,338	536,079,338	425,144,815
Borrowed funds	221,399,758	221,399,758	88,201,147
Other liabilities	105,171,292	119,607,776	99,602,073
<b>Total liabilities</b>	<b>862,650,388</b>	<b>877,086,872</b>	<b>612,948,035</b>
<b>Capital resources</b>			
Stated Capital	50,000,000	50,000,000	50,000,000
Revaluation Surplus	1,978,460	1,978,460	15,371,581
Income Surplus	31,861,138	31,861,138	6,949,811
Statutory Credit Risk Reserve	17,474,363	17,474,363	21,936,348
Statutory Reserve	35,663,217	35,663,217	27,359,441
Available for Sales Reserve	6,269,450	6,269,450	-
<b>Shareholders' Funds</b>	<b>143,246,628</b>	<b>143,246,628</b>	<b>121,617,181</b>
<b>Total liabilities and Shareholders Funds</b>	<b>1,005,897,016</b>	<b>1,020,333,500</b>	<b>734,565,216</b>

The financial statements were approved by the board of directors on 4th March, 2011 and were signed on its behalf by:

  
Alhaji Ibrahim Adam  
Chairman

  
Stephen Kpordzh  
Managing Director

  
Ms Nancy Ampofo  
Director

  
James Baidoo Sagoe  
Executive Head-Finance & Planning

  
James K Agbedor  
Secretary

### CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2010

	Bank 2010 GH¢	Group 2010 GH¢	Bank 2009 GH¢
<b>Operating activities</b>			
Cash generated from operations	(101,787,251)	(101,787,251)	126,503,194
<b>Investing activities</b>			
Purchase of property and equipment	(7,365,027)	(7,365,027)	(4,800,969)
Proceeds from disposal of property and equipment	491,148	491,148	91,841
Increase in other investment securities	22,698,668	22,698,668	(1,086,749)
Net cash used in investing activities	15,824,789	15,824,789	(5,795,877)
<b>Dividend paid</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>(1,000,000)</b>
National Stabilization Levy	(1,637,000)	(1,637,000)	(387,500)

### Financing activities

	133,198,611	133,198,611	(20,171,016)
Receipts/(payments) in borrowed funds			
<b>Net cash generated from financing activities</b>	<b>133,198,611</b>	<b>133,198,611</b>	<b>(20,171,016)</b>
Increase in cash and cash equivalents	43,599,149	43,599,149	99,148,801
Cash and cash equivalents at 1 January	250,437,163	250,437,163	151,288,362
Cash and cash equivalents at 31 December	294,036,312	294,036,312	250,437,163

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGRICULTURAL DEVELOPMENT BANK

We have audited the accompanying consolidated financial statements of Agricultural Development Bank and its subsidiaries which comprise the consolidated statement of financial position as at 31 December, 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

### Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the group has kept proper accounting records and the consolidated financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act of 2008 (Act 738) and Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970. The consolidated financial statements give a true and fair view of the financial position of the bank as at 31 December 2010, 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.

### Report on other legal and regulatory requirements

The Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970 requires that in carrying out our audit work 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 accounts have been kept by the group, so far as appears from our examination of those books; and
- the consolidated statement of financial position and consolidated statement of comprehensive income of the group 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:

- the accounts give a true and fair view of the state of affairs of the bank and its results for the period under review;
- we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
- the bank's transactions were within its powers; and
- the bank has complied with the provisions in the Banking Act 2004 (Act 673), the Banking (Amendment) Act 2008 (Act 738) and the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970.

  
Chartered Accountants  
Accra, Ghana  
4th March, 2011

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2010

#### 1. REPORTING ENTITY

Agricultural Development Bank (ADB) is a financial institution incorporated in Ghana. The registered office of the Agricultural Development Bank is located at 37 Independence Avenue, Accra. The Agricultural Development Bank operates under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2008 (Act 738), and the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970.

#### 2. BASIS OF PREPARATION

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB).

##### b. Basis of measurement

The consolidated financial statements are presented in Ghana cedis which is the group's functional currency. They are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: financial instruments that are fair value through profit and loss and financial instruments classified as available-for-sale.

##### c. Use of estimates and judgement

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and 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.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in notes one (1).

##### 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. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### Interest income and expense

Interest income includes interest on loans and advances and placements with other banks, and is recognised in the period in which it is earned.

##### Fees and commissions

Fee and commission incomes and expenses that are integral to the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commissions income are recognised as the related services are performed.

##### Government securities

Government securities comprise treasury bills and treasury bonds which are debt securities issued by the Government of Ghana. These are classified as held to maturity and are stated at amortised cost.

##### Unquoted investments

Unquoted investments are stated at cost less impairment loss where applicable.

##### Investments in companies

Investments in companies are stated at cost less impairment loss where applicable.

##### Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the assets previous carrying amount and fair value less costs to sell.

##### Property and equipment

Property and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.

##### Depreciation

Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other property and equipment is calculated to write off their cost or valuation in equal annual instalments over their estimated useful lives. The annual rates in use are:

Buildings	5%
Computers	33.33%
Motor vehicles	33.33%
Furniture and equipments	20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

##### Leasehold land

Payments to acquire leasehold interest in land are treated as operating lease prepayments and amortised over the period of the lease.

##### Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the bank and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original costs of the software. Computer software development costs recognised as assets are stated at cost less amortisation.

Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 3 years.

##### Taxation

The Bank is not liable to taxation.

##### Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Ghana Cedis at the rates of exchange ruling at the date of the statement of financial position. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are dealt with in the statement of comprehensive income.

##### Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### Statutory Credit Risk Reserve

IAS 36 requires the bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, Central Bank of Ghana prudential guidelines require the bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 36. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory credit risk reserve. The provision for this additional impairment amounts is to be made only when impairment amounts provided under IFRS rules are lower than the figure to be provided under BoG Prudential Guidelines.

##### Retirement benefit costs

The bank operates a defined contribution benefit scheme for its employees. The assets of this scheme is held by the treasury department of the bank. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

The bank also contributes to the statutory Social Security & National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Social Security Act. The bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 13% of an employee's basic salary per month. The bank's obligations to staff retirement benefit schemes are charged to the statement of comprehensive income in the year to which they relate.

##### Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

##### Financial instruments

A financial asset or liability is recognised when the bank becomes party to the contractual provisions of the instrument.

##### Financial assets

The bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

##### Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

##### Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances are recognized when cash is advanced to borrowers. They are categorized as originated loans and carried at amortised cost.

#### 4. SUBSIDIARY

Name of Subsidiary	Cost of Investment GH¢	Year Formed	Country of Incorporation	Nature of Business	Ownership Interest 2010 2009
ADB Properties	14,436,809	2010	Ghana	Real Estate	100%

There was no subsidiary in the prior year hence no comparative for group figures reported in the current year.

#### 5. SOCIAL RESPONSIBILITY

Amount spent on fulfilling social responsibility obligations was GH¢605,725 (2009: GH¢492,140) which excludes building for the 2009 National Best Farmer of GH¢75,000 (2009: GH¢62,900).

#### 6. PERCENTAGE OF GROSS NON PERFORMING LOANS

Gross non-performing loans ratio per Bank of Ghana requirements is 11.8% (2009: 23.68%)

#### 7. CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

In common with other banks, the bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	Bank 2010 GH¢	Group 2010 GH¢	Bank 2009 GH¢
Letters of credit	30,252,536	30,252,536	8,858,819
Guarantees and indemnities	114,065,420	114,065,420	126,331,058
	<b>144,317,956</b>	<b>144,317,956</b>	<b>135,189,877</b>



# ADB

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