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Reliance Financial Services Company Limited

Annual Report
and Financial Statements

for the year ended 31 December 2011

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Contents

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Financial Highlights

	2011 D'000	2010 D'000	2009 D'000	Increase/ (Decrease) 11 vs10
Financial Structure				
Capital to Asset Ratio (at least 16%)	16.7%	9%	3.1%	7.7%
Debt/ Equity Ratio (Times)	N/A	N/A	0.01	-
Liquid assets to deposit ratio (between 15% and 40%)	57.0%	44.1%	28.7%	12.9%
Deposits to loans	242%	215%	216%	27%
Deposits to total assets	87.6%	91%	99%	(3.4%)
Gross loans Portfolio to Total Assets	43.1%	48%	53%	(4.9%)
Outreach Indicators				
Total Number of Borrowers	1,785	1,850	3,958	(65)
Number of Active borrowers	1,447	1,803	3,480	(356)
Total Value of loans disbursed (GMD'000)	126,915	137,085	85,633	(10,170)
Average Size of Loans Disbursed (GMD'000)	71	74	32	(3)
Gross Loan Portfolio outstanding (GMD'000)	90,202	81,674	76,198	8,528
Average Loan balance per borrower (GMD'000)	62	44	22	18
Voluntary Savings (GMD'000)	183,869	155,273	142,125	28,596
Number of voluntary savings accounts	53,229	51,747	39,403	1,482
Average savings balance per saver (GMD'000)	3.4	3.0	3.6	0.4
Number of Branches and Kiosks	23	21	20	2
Range of Loan Sizes (GMD'000)	1-1,667	2-200	2-1,500	-
Financial Performance				
Operational Self-sufficiency	47%	55%	40%	(8%)
Financial Revenue Ratio	50%	56%	27%	(6%)
Yield on gross Portfolio (Nominal)	26.1%	35%	26%	(8.9%)
Loan Loss Provision Expense Ratio	15.1%	11%	4.97%	4.1%
Administrative Expense Ratio	16.0%	7%	12%	1%

	2011 D'000	2010 D'000	2009 D'000	**Increase/ (Decrease) 11 vs 10**
Efficiency & productivity				
Operating Expense/ Loan Portfolio	49.9%	56%	75%	(6.1%)
Personnel expense/ Loan Portfolio	15.3%	21%	27%	(5.7%)
Cost per borrower (GMD'000)	25	22	14	3
Borrowers per staff member	17	17	41	-
Borrowers per loan officer	112	60	97	52
Voluntary savers per staff member	512	484	464	48
Risk and liquidity				
Portfolio at Risk > 30 Days	31%	22%	28%	9%
Portfolio at Risk > 90 Days	23%	12%	23%	11%
Risk Coverage	52%	56%	14.8%	(4%)
Non – earning liquid assets as % Total Assets	9.0%	8.1%	8.76%	0.9%
Macro Economic Indicators				
Inflation Rate	4.4%	4.0%	**3**.0%	0.4%
Exchange Rate (Customs Valuation) GMD/USD	30.28	27.4	26.83	2.88
GDP Growth Rate	5.4%	4.3%	5%	1.1%
GDP Per Capita (USD)	458	479	315	21

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General Information

Directors	Mrs. Amie N. D. Bensouda	*Chairperson*
	Mr. Baboucarr Khan	*Managing Director*
	Mr. Ebenezer Olufowose	*Non-Executive Director*
	Mr. Ismaila Faal	*Executive Director*
	Mr. Cherno S. Jallow	*Non-Executive Director*

Secretary

Mr. Seedy A.B. Njie

Bankers

Trust Bank Limited
3/4 Ecowas Avenue
Banjul

Standard Chartered Bank (Gambia) Limited
Ecowas Avenue
Banjul

Guaranty Trust Bank Limited
56 Kairaba Avenue
KMC

Access Bank Limited
47 Kairaba Avenue
KMC

First International Bank Limited
Kairaba Avenue
KMC

EcoBank Limited
Kairaba Avenue
KMC

Bank PHB Limited
11 Liberation Avenue
Banjul

Auditors

PKF
Accountants and business advisers
33 Bijilo Layout Annex
Kombo North
The Gambia

Accountants &
business advisers

Solicitors

Amie Bensouda & Co.
78 Hagan Street
Banjul
The Gambia

Registered Office

Reliance Plaza
46 Kairaba Avenue
KSMD
The Gambia

Chairperson's statement

It gives me pleasure to present to you the annual report and audited financial statements of Reliance Financial Services Company Limited for the year ended 31st December 2011. This year effectively marks the ending of the introductory phase of our business and the foundation of our mission to change the lives of the Gambian people.

Operating Environment

The financial market turbulence generated in large part by the unresolved European sovereign debt crisis has resulted in continued uncertainty over growth in advanced economies, in particular the Eurozone. In the midst of this, economic growth in emerging economies has continued to outperform that of the advanced economies thus far with the risk that the challenging global environment will catch up in the near future. According to the latest World Economic Outlook, global growth was projected to slowdown to 3.25 percent in 2011 compared to 5.0 percent in 2010.

According to the Monetary Policy Committee Press Release of January 2012, the Gambian economy grew by 5.4 percent in 2011, slightly lower than the 5.5 percent and 6.7 percent in 2010 and 2009 respectively. Agricultural output grew at a slower pace of 4 percent compared to 12.1 percent in 2010. Industry value-added is estimated at 1.3 percent, lower than the 2.6 percent in 2010 attributed to the decrease in the output of mining and quarrying and electricity, gas and water to 1.6 percent and 1.4 percent from 14.2 percent and 7.7 percent respectively in 2010. Manufacturing value added rose to 3.9 percent from 0.4 percent in 2010. Construction output shrank by 2.9 percent on top of the contraction of 3.7 percent in 2010. Services value-added grew by a robust 8.5 percent, significantly higher than the 1.2 percent in 2010. All the services sub-sectors grew strongly with the highest growth rates recorded by communication (14.0 percent) and wholesale and retail (9.7 percent). The average risk-weighted capital adequacy ratio decreased to 25.4% in 2011 from 25.9 in 2010 but still higher than the minimum threshold of 10% which was complied with by all the banks. The industry's assets increased to D18.7 billion (64% of GDP), or 5.3% percent from the previous year. Gross loans and advances, accounting for 29.2 percent of total assets, rose to D5.45 billion, or 6.5 percent from 2010 with the of non-performing loans of 13.0 percent. Deposit liabilities rose to D12.4 billion, or 10.2 percent over 2010. The number of commercial banks remained at 13 throughout the year.

The microfinance sector currently has three (3) Non Bank Financial Institutions (NBFIs) and the Village Savings and Credit Associations (VISACAs). The Social Development Fund (SDF) is at an advanced stage of transforming to a Fiduciary Financial Institution (FFI) with a new mandate of wholesaling funds to the licensed NBFIs. The biggest challenge facing the sector is capital for both the NBFIs and the VISACAs. During the year, Gambia Women Finance Corporation (GAWFA) embarked on a public offer to raise capital which is yet to be concluded impinging on its transformation plans to become a Finance Company from its current status of a Non Governmental Organisation (NGO). An Apex Body has been formed to serve as an umbrella organisation under which all the VISACAs will be affiliated even though it is not clear what effect it will have on the regulatory and prudential requirements of the individual VISACA units.

Financial performance

The year 2011 has been another year of significant achievement and progress for the Company thriving on our mission of changing lives through financial services to the unbanked and under-banked micro, small and medium enterprises in The Gambia. This has been demonstrated by the delivery of profits consecutively for the second year running by the management and staff under the guidance and direction of the Board. This is noteworthy as it followed the divestment of the institutional investors and the governance and management of the Company rested with the local directors and management combined with the capital constraints to finance the growth ambitions of the Company.

While the company has maintained the minimum primary capital throughout the financial year, it was constrained by the Capital Adequacy ratio of (16%) to support the loan book growth in particular. Consequently, the Board set out a clear strategy of driving performance through Non-Funded Income by developing our remittances business as a core contributor taking advantage of the removal of the exclusivity clauses in the Agency Representative Agreements of the International Money Transfer Organisations. Secondly, the Board also directed management to maintain an optimum balance sheet while focusing on recovering the Non-performing loan book. In December, the shareholders resolved to subscribe to a consolidation of the issued and paid capital on a one for two basis which reduced the number of issued and paid up shares from 90 to 45 million shares. This was followed up with a rights issue of one for every six shares which raised the minimum amount required to ensure compliance with the capital adequacy ratio of 16%.

The highlights of the financial performance of the Company are as follows:

1. Profit after tax increased from GMD3.1 in 2010 to GMD3.7 million in 2011; representing 19.4% growth;
2. The loans and advances portfolio increased from GMD72.3 to GMD76.6 million; and increase of 6.0%;
3. Customer deposits grew by 18.4% from GMD155.3 to GMD183.9 million;
4. Total assets increased by 37.4% from GMD171.5 to GMD235.6 million;
5. The number of branches was 22, while the money transfer correspondent pay-out partners increased with the addition of RIA Financial Services, Money Express and Trans Fast LLC.

Outlook

The global economy is expected to grow by 3.25% in 2012 same as in 2011, and much of this will be dependent on the future of the Euro Currency driven by the sovereign debt crisis of the Euro zone countries. Sustained economic growth is expected to be fuelled by domestic demand which can only be sustained by rising wages and a subsequently stronger purchasing power. Consequently, curbing inflation will be of paramount importance especially where it touches on food, asset and commodity prices which hit those on low incomes hardest.

The forecast for 2012 for the Gambian economy remains strong, as based on economic indicators, the Central Bank's Market Survey as well as the International Monetary Fund (IMF) forecast which predict an expected GDP growth of 5.5%. The key growth sectors will include agriculture, financial services, re-distributive trade, construction and tourism. The Company will continue to seek strategic investor(s) to further re-capitalise the company to finance the long term growth plans focusing on the continuous optimisation of the Balance Sheet, customer service delivery and new product and service innovations while investing in new risk management frameworks through enhanced internal controls to propel the current profitability trajectory.

Acknowledgements

I would like to thank the management and staff for their passion and commitment that has enabled them to deliver exemplary results. My deep appreciation is also extended to my fellow board members for the invaluable guidance they have extended to the Company's leadership.

On my own behalf and that of the entire board, management and staff, I extend my sincere appreciation to you, our shareholders and customers, for the strong and passionate support that you have provided to the Company. Your enthusiasm has been truly inspirational to us and we look forward to working closely with you in providing inclusive financial services that change lives.

Amie N. Bensouda
Chairperson of the Board of Directors

Managing Director's Statement

I am pleased to present to you the Company's annual report and financial statements for the year ended 31st December 2011. The macroeconomic environment was characterised by slow growth due to the slow global economic recovery, a contraction in lending by the commercial banks despite the Central Bank pursuing a monetary policy which has seen the prime lending rate reduced from 18% to 13% while the cash reserve ratio was equally revised downwards by 2% from 14% to 12% to improve liquidity in the system. The Gambian Dalasi depreciated against all the major trading currencies during the year. Planning has been somewhat challenging but the strict adherence to risk management and governance guidelines helped the organisation during these challenging times.

Financial performance

With 2011 marking the end of the introductory phase of our business, there is no doubting the fact that Reliance is now a national household brand that has filled a vacuum that the common man or woman has been yearning for a long time. We have promised and are delivering a value proposition and a buyer utility value for the micro, small and medium enterprises that enabled us to sustain a good financial performance for the second year running.

The company focused on a strategy of re-positioning the core strategic businesses in the period as a result of the limited capital situation. This led to a cautious lending strategy wherein only existing borrowers with strong credit ratings were being approved for re-financing. To compensate for the non loan growth, the company leveraged on the removal of the non-competitive practices in money transfer correspondence pay-out agreements under the Gambia Anti Competitive Practices Act and supported by the Central Bank to increase its correspondent pay-out partnerships by adding RIA Financial Services, Money Express and Trans Fast LLC to drive the non-funded income streams. The excess cash from loan repayments and increased deposit mobilisations were placed on investments with the Central Bank of The Gambia or with our local correspondent banks.

The company recorded profits after tax of GMD 3.7 million for the year ended 31st December 2011. The funded income in 2011 grew by 3% albeit the income from gross loans declined slightly by 4%. The non-funded income increased from GMD 16.9 million (of which foreign exchange trading accounts for 54%) in 2010 to GMD 21.9 million(of which foreign exchange trading accounts for 45%); representing a growth of 29%. Total operating expenses grew by 10% from GMD 40.9 million to GMD 45.0 million resulting from increases in general and administrative costs as well as premises and equipment which were largely inflationary. However the operational efficiency as measured by cost income ratio improved to 93% from 97% the previous year.

During the year the Balance Sheet grew impressively with total assets reaching GMD 236 million from GMD 171 million the previous year; representing 37% increase. The impressive growth is reflective of the Balance Sheet optimisation strategy and cautious loan growth where investments for the first time are greater than the loan book standing at GMD 86 million (previous year GMD 53 million) compared to GMD 77 million (previous year GMD 72 million). Customer deposits recorded growth of 19% from GMD 155 million the previous year to GMD 184 million. Overall, the company recorded average double digit growth in major performance indicators thus reflecting the strong strategy developed by the board and being effectively implemented by management.

Branch network

As part of maintaining an efficient Balance Sheet, there were no new significant investments in building new branches and/or agencies. Instead the Company leveraged on its strategic partnerships with the Local Area Council in the North Bank to secure a long term lease on built to specifications branch located on the inter-section of the Trans-Gambia highway where we re-located the old branch in response to increasing demand and competition. During the year the Company also re-located its Basse Agency to get closer to our customers. The company also invested in alternative environmentally friendly back-up energy systems in key locations to ensure improved customer services.

Operations

Deposit mobilisation

During the period under review, management drove the growth of stable low cost deposits. The deposit book grew at an average of 19% from GMD155 million in 2010 to GMD184 million. The number of account holders increased by 3% to 53,229 from 51,747 the previous year based on a customer acquisition strategy of new to products complimented by new to Bank customers. The average cost of funds remained at below 5% and mainly helped by the growth in our innovative Jula Account which represents 69% of total deposits. This account starts from as little as GMD25 Dalasis in line with the Company's strong financial inclusion objective. The other major highlight during the period under review is the diversification of the deposit book with the top 10 deposit customers accounting for only 14% of the total deposit portfolio.

Remittances

The pursuance of an aggressive remittances strategy is in line with the Company's Social Mission of using financial services to improve and Change Lives in a positive manner. Remittances have proven to be an effective tool in the fight to roll back poverty as the proceeds go directly to hands of the beneficiaries which is spent on education, healthcare, food sustenance, housing and some of which goes into starting and supporting small businesses.

Management made significant strides in its quest to attain a market leadership position in the Gambian Remittances market. This is largely made possible by the signing of RIA Financial Services and Trans Fast LLC as Direct Partners. The operationalization of our partnership agreements brought the company's number of Money Transfer Partners (MTOs) to four. In addition to the International Money Transfer, the Company continued to develop its Domestic Money Transfer to facilitate the movement of funds intra-country based on security, timeliness, affordability and the largest network nationwide. The continued development of the remittances strategy is in furtherance of managements strong will to diversify the earning base of the company to increase Non-Funded Income.

Treasury

The treasury team is responsible for the spot trading of foreign currencies that the Company gets reimbursed by the International Remittances Partners mainly in United States Dollars and Euro in addition to managing the Assets and Liabilities of the Company including liquidity positions with local correspondent banks. The year was quite challenging due to the intense competition in the international remittances with Agents vying for improved pay-out rates thereby putting pressure on the foreign exchange spread and consequently income. Notwithstanding these challenges, the company managed to trade efficiently and effectively without incurring losses. On the Assets and Liabilities front, the Company has taken advantage of the strategy to place excess funds in liquid investments thereby optimising non-funded revenue to compensate for lost interest on loan. There were no breaches in the prudential and regulatory ratios during the year under review relating to liquidity.

Credit Management

The Managing Director continues to double-hat as Head, Credit with a total staff count of 24 with an additional 2 recovery officers at the beginning of the year. In line with the new focus lending strategy of repeat borrowers with excellent credit rating, the number of loan officers was reduced to 17 with 2 exits and 5 redeployments into Branch Operations. During the year the Credit Administration Manager was granted a partial scholarship to attend the Microfinance Management Course at the Frankfurt School of Management. Upon his return, he has been appointed as Regional Manager responsible for the Rural Operations of the Company.

During the year, the Company disbursed GMD 127 million loans to 1,785 clients compared to GMD 137 the previous year a decline of 7%. The average loan size decreased marginally from GMD 74,000 in 2010 to GMD 71,000 in the current year.

Portfolio quality

The portfolio quality as measured by Portfolio at Risk (PaR) 30 and 90 days past due was 31% and 23%; compared to 22% and 12% respectively in the previous year. The improvement in PaR 30 days is explained by the significant improvement in the new lending with 5 of the loan officers reporting PaR 30 days past due of less than 5% in line with best international standards while another 4 reporting between 6% and 9% PaR. The lack of progress at the collection of the Non Performing Loans even after court judgement is due to difficulties in the realisation of collateral, explains the deterioration in the PaR 90 days past due.

Human Resources

As part of the development of leadership at the operational level in line with the tactical plans, three Branch Managers were appointed at the beginning of the year for Kairaba, Serrekunda and the Rural Network through internal promotions. The objective of this strategy is to strengthen the organisational structure through definitive responsibilities and reporting lines to drive high performance through accountability. This exercise is being piloted for the 2011 to gauge the impact and if successful to be replicated across the network in all the major locations in 2012.

As part of the retention strategies to curb the high attrition rate that was affecting the entire industry, the Board approved an Employee Personal Loan Scheme (EPLS) which accorded long serving members of staff the opportunity to access soft loans at subsidised interest rates. In partnership with Women's World Banking Group and Frankfurt School of Finance and Management the Company trained 10 of its middle and senior managers to equip them with high level Balance Sheet and Liquidity Management skills.

Information Technology

At the beginning of the year the Company appointed Insist Global as its core Information System support and service partner after the firm conducted an initial diagnosis of the Information System infrastructure in December 2010. Acting on their recommendations, the Company invested in hardware to enhance the processing capacity and safety of the systems. The Company also changed its Internet Service provider (ISP) during the period under review resulting in significant cost saves. The capacity of the in-house IT support staff was significantly enhanced thus reducing the over-reliance on Craft Silicon particularly in the event of a disaster recovery. Terminal servers have been deployed to reduce the stress on the primary server. I am pleased to report that since March 2011 Bankers Realm up time has been consistently at its highest.

Internal Audit & Compliance

The risk management and compliance framework successfully performed the scope of their work based on the plan approved by the Board. In addition, the Internal Audit, Compliance and Risk Management Policies and Manuals including the audit programs were all reviewed and updated in line with current operating procedures and practices. There were no operational losses arising from internal control breakdowns within the Branch network wherein all the branches were visited at least quarterly. Based on the audit ratings, there were no failed audits and resolution of issues reported was very impressive following the risk cum solution-based audit approach.

Outlook

The outlook for 2012 for the Gambian economy looks positive and the Company envisages favourable performance results by leveraging on the network and positioning of the brand to seize opportunities in the market. The Board along with Management will continue to explore partnership opportunities to attract long term strategic investors in order to address the capital constraints that will sustain the growth phase of the Company. Until such time, the Company will continue to be stringent on cost to drive profitability and improve retained earnings to augment the capital base.

With the consolidation of gains made on the Remittances investments, the Company will continue to drive fee-based income lines while maintaining an efficient and optimum Balance Sheet structure. There will be a renewed focus on recovering the Non Performing Loan book and continue our strategy of lending to existing clients with very good repeat borrowers.

We will also invest in building the capacity of the operational and supervisory staff and at same time enhance customer experience and brand visibility, to improve market share in the growing remittances market. The risk management culture will be entrenched and the Internal Audit staff capacities built based on new auditing standards to ensure the Company's internal controls are effective and robust.

Acknowledgements

In conclusion, I wish to take this opportunity to express my sincere gratitude to our customers, shareholders and business partners for their dedicated loyalty to the Company and continued confidence and trust in our business. I also wish to thank the Board of Directors for the oversight and guidance they have given the Management of the Company.

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Lastly, I am grateful to the management and staff of the Company for their devotion and sacrifice that enabled delivery of this good financial performance. Together, we shall continue to deliver our mission of changing lives of our people socially and economically by developing innovative, inclusive financial products and services while delivering even greater value to our stakeholders.

Thank You!

Baboucarr Khan
Managing Director

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Directors' Report

The directors present their report and financial statements for the year ended 31 December 2011.

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1955. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The company's principal activity is that of non-bank financial intermediation.

Results for the year

The results for the year are as presented in the accompanying financial statements.

Significant changes in fixed assets

Changes in fixed assets are shown in note 13 to the financial statements.

Directors and directors' interest

The directors who held office during the year are shown on page 5.

In accordance with the company's Articles of Association, the term of office for board membership is three years and board members can serve two consecutive terms on a rotational basis. Initial rotation should be at least one-third of the outgoing board members. Accordingly all the directors remain in office.

The directors' beneficial interest in the ordinary shares of the company is shown below. No other changes have occurred between 31 December 2011 and the date of this report.

	Number of shares held	
	2011	2010
Mr. Baboucarr Khan	**1,378,353**	1,411,378
Mrs. Amie Bensouda	**20,288,623**	38,577,247
Mr. Ebenezer Olufowose	**1,265,000**	450,000
Mr. Ismaila Faal	**833,279**	853,244
Mr. Cherno S. Jallow	**21,079,587**	39,394,882
	44,844,842	80,686,751

Auditors

The auditors, PKF have indicated their willingness to continue in office pursuant to Section 155 (2) of the Companies Act 1955.

By order of the board of directors

Secretary

Dated this 21st day of March 2012

Independent Auditors' Report
To the Members of Reliance Financial Services Company Limited

We have audited the accompanying financial statements of Reliance Financial Services Company Limited, which comprise the balance sheet as at 31st December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors Responsibility for the financial statements

The directors are responsible for the preparation and the fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles, the Companies Act 1955 and the Banking Act 2009. This responsibility includes maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that are consistent with Generally Accepted Accounting Principles; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance 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 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 control relevant to the entity's preparation and fair presentation of the 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31st December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles and have been properly prepared in accordance with the requirements of the Companies Act 1955 and the Banking Act 2009.

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Accountants and business advisers
Registered Auditors
Bijilo, The Gambia

Date:23rd March 2012

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Income Statement

for the year ended 31st December 2011

	Notes	31st December 2011 D'000	31st December 2010 D'000
Interest income	2	**24,336**	25,304
Interest expense	3	**(6,938)**	(7,215)
Net interest income		**17,398**	18,089
Interest income from investments		**8,461**	6,488
Exchange Income		**9,824**	9,102
Fees and commission income	4	**12,118**	7,813
Other revenue	5	**905**	553
Total operating revenue		**48,706**	42,045
Operating expenses			
Personnel cost	6	**(13,781)**	(15,051)
General and administration cost		**(17,524)**	(11,999)
Premise and equipment		**(7,680)**	(6,726)
Depreciation		**(5,996)**	(7,004)
Total operating expenses		**(44,981)**	(40,780)
Operating Profit		**3,725**	1,265
Net recoveries of credit losses		**168**	1,863
Profit before taxation	7	**3,893**	3,128
Income tax expense	8	**(234)**	-
Profit for the year after taxation		**3,659**	3,128

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

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Balance Sheet

as at 31st December 2011

	Notes	31st December 2011 D'000	31st December 2010 D'000
Assets			
Cash and local bank balances	*9*	**45,899**	14,397
Treasury bills and other investments	*10*	**86,100**	52,862
Loans	*11*	**76,560**	72,291
Other assets	*12*	**6,221**	7,814
Property, Plant & Equipment	*13*	**20,779**	24,116
Total assets		**235,559**	171,480
Liabilities			
Customer deposits	*14*	**183,869**	155,273
Due to local banks	*9*	**27,166**	552
Other payables	*15*	**3,984**	4,075
Taxation		**234**	-
Total liabilities		**215,253**	159,900
Equity and reserves			
Share capital	*16*	**61,164**	56,097
Accumulated deficit		**(40,858)**	(44,517)
Total equity and reserves		**20,306**	11,580
Total equity and liabilities		**235,559**	171,480

These financial statements were approved by the board of directors on 21st March 2012 and were signed on its behalf by:

Director

Director

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

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Statement of changes in equity

for the year ended 31st December 2011

	Share Capital D'000	Accumulated Deficit D'000	Total D'000
Balance as at 1st January 2010	43,238	(47,645)	(4,407)
Shares issued and fully paid for	12,859	-	12,859
Profit for the year	-	3,128	3,128
Balance as at 31st December 2010	56,097	(44,517)	11,580
Balance as at 1st January 2011	56,097	(44,517)	11,580
Shares issued and fully paid for	5,067	-	5,067
Profit for the year	-	3,659	3,659
Balance as at 31st December 2011	**61,164**	**(40,858)**	**20,306**

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

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Cash Flow Statement

for the year ended 31st December 2011

	Notes	31st December 2011 D'000	31st December 2010 D'000
Operating activities			
Operating profit		**3,893**	3,128
Depreciation	13	**5,996**	7,004
Increase in operating assets	17	**(2,676)**	(7,167)
Increase in operating liabilities	18	**28,505**	12,115
Profit on disposal of fixed asset		**-**	(75)
Fixed assets write offs		**5,072**	390
Cash generated from operations		**40,790**	15,395
Company tax paid		-	-
Cash flows from operating activities		**40,790**	15,395
Investing activities			
Proceeds from sale of fixed assets		-	275
Acquisition of property, plant and equipment	13	**(7,731)**	(2,653)
Cash flows from investing activities		**(7,731)**	(2,378)
Financing activities			
Proceeds from issue of shares		**5,067**	12,859
Loan repayment		-	(21)
Cash flows from financing activities		**5,067**	12,838
Net increase in cash and cash equivalent		**38,126**	25,855
Cash and cash equivalent at 1st January		**66,707**	40,852
Cash and cash equivalents at 31st December	9	**104,833**	66,707

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

Notes (forming part of the financial statements)

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items, which are considered material to the Company's financial statements.

a) Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles, requirements of the Companies Act 1955 and also the Banking Act 2009.

b) Interest income

Interest earned comprises interest on loans, treasury bills and bonds and is accounted for on an accruals basis. In respect of loans, recognition of interest income ceases when payment of interest or principal is in doubt and any interest already recognised during that accounting period is reversed. Interest is thereafter included in income only when received.

c) Fee income

Loan fees are credited to income when the loan is granted.

d) Loans and advances

Loans are stated after deduction of applicable unearned income and provisions for possible credit losses. Provision for bad and doubtful debts are held in respect of loans taking into consideration both specific and general risks.

Provisions against loans are based on an appraisal of the loan portfolio. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected.

Provisions made during the year less amounts released and recoveries of advances previously written off are charged as a separate amount in the profit and loss account.

e) Property, equipment and others

(i) Owned assets

Items of property, plant, equipment and others are stated at cost less accumulated depreciation. Freehold and leasehold premises are included in the accounts at their historical costs and the amount of any subsequent valuation.

(ii) Depreciation

Depreciation of fixed assets is calculated and charged to the income statement on a straight-line basis by reference to the expected useful lives of the assets at the following rates:

Land is not depreciated. It is the company's policy to maintain freehold and long leasehold premises in a good state of repair and it is considered that the residual values, based on price prevailing at the time of acquisition or subsequent valuation, are such that any depreciation will not be significant. Accordingly, depreciation for freehold buildings is over the estimated useful economic life to a maximum of 50 years. Short leasehold premises are depreciated over the unexpired period of the lease.

Premises - Leasehold	Shorter of the remaining period of the lease or 50 years
Fixtures and Fittings	10 years
Furniture and equipment	5 years
Motor Vehicles	5 years
Other fixed assets	5 years
Computer hardware	3 years
Computer software (Banking software)	4 years
Computer consumables	Written off in year of purchase

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

f) Treasury bills

Treasury bills are stated at cost. Credit is taken for related income in the period when it accrues.

g) Foreign currencies

Transactions in foreign currencies are translated to Dalasi at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Dalasi at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are historical cost, are translated to Dalasi at the foreign exchange rate ruling at the date of the transaction.

h) Employee benefits

Obligations for contributions to the Social Security and Housing Finance Corporation administered retirement benefit plan are recognised as expense in the income statement as incurred.

i) Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation.

j) Income tax

Income tax on the profit for the year comprises current tax and is recognised in the income statement.

k) Cash and cash equivalent

Cash and cash equivalent as per cash flow statement comprises of cash and bank balances and short term investment.

2. Interest income

	31st December 2011 D'000	31st December 2010 D'000
Loans	**24,336**	25,304

3. Interest expense

	31st December 2011 D'000	31st December 2010 D'000
Savings	**3,657**	3,007
Time deposits	**2,512**	3,311
Bank Overdraft Interest	**769**	897
	6,938	7,215

4. Fees & Commission Income

	31st December 2011 D'000	31st December 2010 D'000
Remittances Commission	**8,274**	3,009
Loan Fees & Commission	**2,503**	2,890
Other Fees & Commissions	**1,341**	1,914
	12,118	7,813

5. Other Income

Grant income	-	69
Exchange loss	-	(781)
Sundry income	**905**	1,265
	905	553

6. Staff numbers and cost

The average number of staff employed during the year (including directors) analysed by category, is as follows:

	Number of employees	
	31st December 2011	31st December 2010
Executive directors	**2**	2
Management staff	**4**	3
General staff	**98**	108
	104	113

The aggregate payroll costs of these persons were as follows:

	31st December 2011 D'000	31st December 2010 D'000
Wages and salaries	**4,840**	4,798
Allowances including bonuses	**8,572**	9,959
Other staff costs	**369**	294
	13,781	15,051

7. Profit before taxation

The profit before taxation is stated after:

Charging:		
Directors' remuneration	**148**	**-**
Audit fees	**230**	210

8. Income tax expense

The GIPFZA Special Investment Certificate which exempted the Company from paying turnover tax expired in August 2011. The Company has unutilised capital allowances and loss reliefs in excess of the chargeable profit and hence has tax liability of D 234,000 equivalent to the minimum corporation tax payable for the year. (2010: Nil).

9. Cash and local bank balances

Cash (note 9a)	**11,143**	4,966
Balances with local banks (note 9b)	**34,756**	9,431
	45,899	14,397
Due to local banks	**(27,166)**	(552)
Treasury bills and other investments (note 10)	**86,100**	52,862
Cash and cash equivalents in the statement of cash flow	**104,833**	66,707

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9a. Cash

	31st December 2011 D'000	31st December 2010 D'000
Cash	**10,054**	4,017
Outward clearing	**1,089**	949
	11,143	4,966

9b. Local bank balances

Balance with Central Bank of The Gambia	**4,424**	3,893
Balance with local banks	**30,332**	5,538
	34,756	9,431

10. Treasury bills and other investments

Treasury bills at maturity value	**48,600**	3,500
Placements with bank	**40,352**	51,517
Interest unearned – investment	**(2,852)**	(2,155)
	86,100	52,862

11. Loans

	31st December 2011 D'000	31st December 2010
SME Loan	**56,965**	54,876
Micro Enterprises	**4,282**	7,569
Express	**3,069**	2,745
Others	**25,886**	16,484
Gross loans	**90,202**	81,674
Less:		
Specific provision for bad debts	**(3,995)**	(3,995)
General provision for bad debts	**(613)**	(613)
Interest in suspense	**(9,034)**	(4,775)
Net Loans	**76,560**	72,291

12. Other assets

Receivables	**3,873**	5,546
Prepayments	**2,340**	2,260
Tax Deposit	**8**	8
	6,221	7,814

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13. Property, Plant and Equipment

	Work In Progress D'000	Equipment Furniture & Fittings D'000	Motor Vehicle D'000	Other Fixed Assets D'000	Land & Building D'000	Total D'000
Cost						
At 1st January	775	26,209	4,509	1,194	9,726	42,413
Additions	2,930	4,801	-	-	-	7,731
Transfer	(3,370)	-	1,430	(795)	828	(1,907)
Write offs	-	(9,496)	(5,596)	-	(414)	(15,506)
At 31st Dec 2011	**335**	**21,514**	**343**	**399**	**10,140**	**32,731**
Depreciation						
At 1st January	-	12,165	3,652	819	1,660	18,296
Charge for the year		4,147	1,067	225	557	5,996
Write offs	-	(6,955)	(4,590)	(795)	-	(12,340)
At 31st Dec. 2011	**-**	**9,357**	**129**	**249**	**2,217**	**11,952**
Net book value						
At 31st December 2011	**335**	**12,157**	**214**	**150**	**7,923**	**20,779**
At 31st December 2010	775	14,043	857	375	8,066	24,116

Work in progress represents the amount so far spent on Signages, Kiosks, Fixtures and Fittings and other civil works not completed at the year end.

14. Customer deposits

	31st December 2011 D'000	31st December 2010 D'000
Savings	**153,178**	132,077
Fixed deposit accounts	**30,691**	23,196
	183,869	155,273

15. Other payables

Accruals	**3,107**	1,843
Employees' Social Security Contribution	**61**	60
Employees' Income Tax	**271**	261
Other Accruals	**545**	1,911
	3,984	4,075

16. Share Capital

The total number of authorised ordinary shares as at 31st December 2011 was 90 million ordinary shares with a par value of D1.00 per share (2010: 90 million ordinary shares with a par value of D 1 each).

In December 2011, the issued shares of the Company were consolidated on a one for one basis resulting to 45 million issued and paid up shares and 45 million unissued shares.

In addition, a rights issue of one for every six shares held was carried out. 5,976,050 shares of the rights were subscribed to out of which 5,066,364 shares were paid for leaving 909,677 shares issued and unpaid as at 31st December 2011. Consequently, the fully paid up capital of the Company increased from D 56,097,000 to D 61, 164,000 as at the end of year 2011.

17. Increase in operating assets

	31[st] December 2011 D'000	31[st] December 2010 D'000
Funds advanced to customers	**(4,269)**	(6,930)
Other assets	**1,593**	(237)
	(2,676)	(7,167)

18. Increase in operating liabilities

Deposits from customers	**28,596**	13,148
Other payables	**(91)**	(1,033)
	28,505	12,115

19. Contingent liabilities

Acceptances, endorsements and other obligations	**-**	-

20. Capital commitments

Authorised by the Board and contracted for	**-**	**-**
Authorised by the Board but not contracted for	**-**	-

21. Related Party Transactions

	31st December 2011 D'000	31st December 2010 D'000
The following are loan balances due to related party:		
Directors, officers and other employees		
Directors	**3,063**	3,234
Officers and other employees	**3,048**	1,120
	6,111	4,354
Legal fees	**252**	44
Head office rent	**606**	693

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Supplementary Information

1.1 General and administration cost

	31st December 2011 D'000	31st December 2010 D'000
Finance cost and charges	-	423
Printing and stationery cost	**1,726**	1,147
Communications costs	**2,773**	2,051
Equipment maintenance expenses	**311**	279
Transport and travel costs	**2,550**	1,822
Business promotion costs	**2,447**	1,903
Professional fees	**6,366**	3,245
Other costs	**1,351**	1,129
	17,524	11,999

1.2 Premises cost

	31st December 2011 D'000	31st December 2010 D'000
Office rent	**2,496**	2,486
Electricity expenses	**1,764**	1,414
Cleaning	**562**	540
Rates and taxes	**474**	454
Security costs	**1,593**	1,536
Property insurance	**100**	14
Property maintenance	**691**	282
	7,680	6,726