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**Reliance Financial Services Company Limited**

# Annual Report and Financial Statements

for the year ended 31 December 2013

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# Contents

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# Financial Highlights

| | **2013** | 2012 | 2011 | **Increase/ Decrease** |
|---|---|---|---|---|
| | **D'000** | D'000 | D'000 | **2013 vs 2012** |
| **Financial Structure** | | | | |
| Capital to Asset Ratio (at least 16%) | **27%** | 21% | 16.70% | 6% |
| Debt/ Equity Ratio (Times) | **5** | 6 | 9 | 1 |
| Liquid assets to deposit ratio (between 15% and 45%) | **50%** | 85% | 57% | (35.00)% |
| Deposits to loans | **335%** | 346% | 242% | (11.00)% |
| Deposits to total assets | **74%** | 74.30% | 87.60% | (0.30)% |
| Gross loans Portfolio to Total Assets | **22.10%** | 27.20% | 43.10% | (5.10)% |
| **Outreach Indicators** | | | | |
| Total Number of Borrowers | **1,244** | 1,342 | 1,785 | (7)% |
| Number of Active borrowers | **768** | 907 | 1,447 | (15.3)% |
| Total Value of loans disbursed (GMD'000) | **131,603** | 108,023 | 126,915 | 21.8% |
| Average Size of Loans Disbursed (GMD'000) | **106** | 80 | 71 | 32.5% |
| Gross Loan Portfolio outstanding (GMD'000) | **74,077** | 75,446 | 90,202 | (1.8)% |
| Average Loan balance per borrower (GMD'000) | **96** | 53 | 62 | 81% |
| Voluntary Savings (GMD'000) | **247,525** | 206,043 | 183,869 | 20% |

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| | 2013 | 2012 | 2011 | Increase/ Decrease |
|---|---|---|---|---|
| | **D'000** | D'000 | D'000 | **2013 vs 2012** |
| Number of Branches and Kiosks | **22** | 23 | 23 | (4.3)% |
| Range of Loan Sizes (GMD'000) | **1-1500** | 1-1,500 | 1-1,667 | - |
| **Financial Performance** | | | | |
| Operational Self-sufficiency | **50%** | 48.70% | 47% | 1.3% |
| Financial Revenue Ratio | **37.70%** | 40.50% | 50% | (2.80)% |
| Yield on gross Portfolio (Nominal) | **27.40%** | 26.80% | 26.10% | 0.60% |
| Loan Loss Provision Expense Ratio | **5.70%** | 13.40% | 15.10% | (7.70)% |
| Administrative Expense Ratio | **21%** | 18.20% | 16.00% | 2.8% |
| **Efficiency & productivity** | | | | |
| Operating Expense/ Loan Portfolio | **77%** | 62.80% | 49.90% | 14.20% |
| Personnel expense/ Loan Portfolio | **27%** | 22.50% | 15.30% | 4.50% |
| Cost per borrower (GMD'000) | **46** | 43 | 25 | 7% |
| Borrowers per staff member | **10** | 12 | 17 | (16.7)% |
| Borrowers per loan officer | **89** | 71 | 112 | 25.4% |
| Voluntary savers per staff member | **606** | 534 | 512 | 13.5% |

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| | **2013** | 2012 | 2011 | **Increase/ Decrease** |
|---|---|---|---|---|
| | **D'000** | D'000 | D'000 | **2013 vs 2012** |
| **Risk and liquidity** | | | | |
| Portfolio at Risk > 30 Days | **9.10%** | 9.40% | 31% | 0.30% |
| Portfolio at Risk > 90 Days | **6.2%** | 7.50% | 23% | 1.30% |
| Risk Coverage | **27.90%** | 21.10% | 52% | 6.8% |
| Non – earning liquid assets as % Total Assets | **19.90%** | 16.90% | 9.00% | 3.00% |
| **Macro Economic Indicators** | | | | |
| Inflation Rate | **5.60%** | 4.90% | 4.40% | 0.70% |
| Exchange Rate (Customs Valuation) GMD/USD | **39.89** | 34.3 | 30.28 | 16.3% |
| GDP Growth Rate | **5.60%** | 4.00% | 5.40% | 1.60% |
| GDP Per Capita (USD) | **444** | 444 | 458 | - |

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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**

Central Bank of The Gambia
1/2 Ecowas Avenue
Banjul
The Gambia

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

Keystone Bank Limited
11 Liberation Avenue
Banjul

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Arab Gambia Islamic Bank Limited
Ecowas Avenue
Banjul

## Auditors

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33 Bijilo Layout Annex
Kombo North
The Gambia

## Solicitors

Amie Bensouda & Co.
SSHFC Crescent
Off Bertil Harding Highway
Kanifing Institutional Area
The Gambia

## Registered Office

Reliance Plaza
46 Kairaba Avenue
KSMD
The Gambia

# Chairperson's statement

It gives me great pleasure to present to you the shareholders of Reliance Financial Services, the financial statements for the year ended 31st December 2013. The year 2013 was by far the most eventful period in the life of the company since its inception characterised by significant market disruptions, regulatory challenges and general slow economic growth. The Board and Management's response generally was to steadfastly apply our strategy with strict observance of basic banking and financial principles. This assisted the company to maintain steady growth and yielding robust financial results.

**Economic environment**

Growth in emerging market and developing economies decelerated slightly to 4.7% in 2013 from 4.9% in 2012. In Sub-Saharan Africa, economic activity remained strong and is expected to accelerate to 6.1% in 2014, supported in most countries by domestic demand. However, the weaker-than-expected external demand, coupled with capital outflows and subdued commodity prices could moderate the growth prospects.

Real GDP growth of The Gambian economy for 2013 is provisionally estimated at 5.6% compared to 6.1% in 2012 and the contraction of 4.3% in 2011. Growth in the value-added of agriculture is estimated at 14.8%, industry (7.0%) and services (3.7%). Consumer price inflation, measured by the National Consumer Price Index (NCPI), increased to 5.6% in December 2013 compared to the 4.9% recorded in 2012.

**Financial Performance**

Building on the momentum of 2012, the company started the year with the signing of the Grant Agreement with the Alliance for Green Revolution in Africa (AGRA) after being awarded out of a total of over 450 business plans submitted under the Agribusiness Africa Window Round 1 of the Africa Enterprise Challenge Fund (AECF) as the first ever application and awardee from The Gambia. The theme of our project anchored on the strategic vision of the company is the "provision of full scale financial services in particular Savings, Remittances and Agribusiness loans to the rural communities including financial and educational literacy programmes for farmers". The total project is estimated at USD2.2 million including a grant of USD1.0 million matched by USD1.2 million from Reliance.

With the above head start, the Company recorded its highest ever Profit after Tax of GMD20.2 million against GMD12.5 million posted the previous year. The company's Balance Sheet grew by 20% from the prior year to GMD333.4 million. This is accounted for mainly by the increase in the customer deposit portfolio from GMD206 million in 2012 to GMD248 million during the year under review; an increase of 20%. The unimpaired capital of the company grew from GMD33 million in 2012 to GMD54 million by the year ended 31st December 2013. I am therefore pleased to announce that Company has met the minimum statutory capital of GMD50 million set by the Central Bank of The Gambia (increase from GMD10 million to GMD50 million as at 31st December 2013). The company was also in full compliance with the prudential and statutory ratios of the Central Bank of The Gambia as at 31st December 2013.

**Outlook**

Real GDP growth is projected at 7.5% in 2014 predicated on robust expansion of agriculture and services, particularly tourism. This indicates that The Gambian economy is gradually growing close to potential. Inflation is forecast to moderate to within the target of 5.0% by end-December 2014 premised on prudent implementation of monetary and fiscal policies. The outlook to inflation is subject to several upside risks emanating both from the external environment and the domestic economy.

With the planned investment in building the infrastructure of the company in terms of upgrading the operating software Bankers Realm to an internet based version along with two new delivery channels of Agency and Internet Banking, the company's mission of financial inclusion will be extended to the remote and rural parts of the country as well as Gambians in diaspora. We will continue with the implementation of the strategic initiatives under the AECF project to further deepen access to finance across the country while improving the overall internal controls environment and risk management systems through technical and capacity development of our people.

**Acknowledgements**

In conclusion I would like to thank my fellow Directors for their continued commitment to the company and support to the management team. To the management team and general staff of the company, I would like to recognize the strong financial and operational performance delivered during the year while ensuring compliance with the risk management principles, regulatory guidelines and strong corporate values of the company. My deep appreciation is also extended to our regulators – the Central Bank of the Gambia for their encouragement and guidance in achieving the development of a sustainable microfinance sector.

To our customers, I renew our pledge to continue to deliver innovative and value adding products and services in ways that will exceed your expectations at all times. We will never take your custom for granted and will remain committed to executing our duties to continue to earn your loyalty. On my own behalf and that of the entire board, management and staff, I extend my sincere appreciation to you, our shareholders, for the strong support that you have provided to the Company. We applaud your belief in the mission of the company and renew our determination to delivering efficient financial services worthy of your confidence in choosing to invest in Reliance.

**Amie N. Bensouda**
**Chairperson of the Board of Directors**

# Managing Director's Statement

I am delighted to present to you the annual report and financial statements of Reliance Financial Services Company Limited for the year ended 31st December 2013. During the year under review, the company continued with its transition from a start-up to the growth phase by executing its strategic intent of changing lives using financial services as a vehicle. The year just ended threw major challenges to the markets in which the company operated. With the right guidance and direction from the Board, Management was resolute and efficient in the implementation of the strategies, which resulted in the company posting profits after tax of GMD20 million. More importantly, the company complied with the minimum primary capital of GMD50 million directed by the Central Bank of The Gambia by 31st December 2013.

The total assets of the company recorded an annual growth of 20% closing the year with GMD333.4 million; an increase of GMD55.8 million. In line with our cautious lending strategy, 60% of deposits were invested with Government in treasury bills and/or placed with our local correspondent banks; with a further 21% maintained for liquidity requirements. Consistent with the growth phase of the company, investments in physical infrastructure in the form of property, plant and equipment was boosted by 80% compared to the previous year. The growth in the Balance Sheet of the company was funded principally from the 20% increment in the customer deposits from GMD206 million in 2012 to GMD248 million during the year under review and shareholders funds that recorded a growth of 63% from the previous year.

Total operating revenue for the year grew from GMD72 million to GMD81 million representing 12%. However the total operating expenses increased by almost double at 23% from GMD47 million to GMD58 million driven mainly by investment in infrastructure, strengthening of talent at the senior management cadre and cost inflation. The major contributor to the revenue growth was the grant income from the Africa Enterprise Challenge Fund (AECF) during the year given the disruption in our remittances business. Whereas the Net Interest Income remained at same levels as the previous year, there has been a massive increase in the overall quality of the loan book resulting in the decline in provisioning from GMD11.1 million in 2012 to GMD1.2 million during the year under review in line with the strategy of the company in focussing on the recovery of the non performing loan book and maintaining a high loan repayment with the active portfolio.

The above results epitomise the diligent execution of our strategy of mobilising low cost stable liabilities, leveraging the extensive network of customer touch points, cautious lending approach; coupled with an effective and efficient asset and liabilities management while observing robust risk management principles. This is evidenced in the strong liquidity position maintained by the company throughout the year; with the net liquidity position posting an average of 78% against a statutory minimum of 45%. Having implemented the new computation of Capital Adequacy, the company recorded a ratio of 27% as at year end against the statutory minimum of 16%. The gearing ratio of the company was also well within the threshold of a maximum of 10 times; recording at 5 times equity.

**Business developments and strategic initiatives**

During the year under review, Reliance became the first company from The Gambia to be approved a grant by the Alliance for Green Revolution in Africa (AGRA) through the Africa Enterprise Challenge Fund (AECF) competitive matching grant facility. This was a validation of the coherence and relevance of our strategic vision of promoting affordable and accessible financial services to all and sundry. The project is anchored on four pillars namely: financial inclusion in the rural and remote parts of the country; financial inclusion for Gambians in the diaspora using remittances; development of an agribusiness lending program as a new strategic business unit and the Business Development Services in the form of financial, technical and education literacy programs. The total project is estimated at USD2.2 million and will be implemented over the next six (6) years. Of the USD2.2 million, AGRA will provide a grant funding of USD1.0 million; USD400,000 is a non-repayable grant, whereas the remaining USD600,000 is an interest free repayable grant to be repaid over five years with a two year moratorium on interest and principal. Over 44.5% of the total grant amounting to USD444,708 was disbursed during the year under review. The counter-part funding by Reliance during the year totalled USD641,655 which comprises a combination of own investments; third party loans; and in-kind contributions.

Within the context of the AECF partnership, the company was able to re-design its Organisation Structure to respond better to the market opportunities, which resulted in the re-introduction of the Chief Operating Officer role with a mandate to oversee Branch and Credit Operations headed by the former Chief Financial Officer supported by a new role – Head of Retail Network filled internally by the former Regional Manager for the Provincial Network. The Head, Risk Management and Compliance was promoted to the role of Chief Financial Officer. Based on this new structure, the credit business was revamped and revitalised after a diagnostic review partly funded by the Gambia Growth and Competitiveness Project (GGCP) with a grant of USD20,000.00 This was followed by the implementation of the recommendations with a new strategic credit orientation focussing on economic sectors as the drivers of growth. The development of new products for asset financing, working capital targeting the Micro, Small and Medium Enterprises segment as well as the Local Purchase Order or Contract Financing followed suit to complement the new credit strategic direction. The development of our new Agribusiness lending products will open new markets whereas the Local Purchase Order (LPO) / Contract Financing the first of its kind in the market will provide added value within the public and private procurement sectors. The Credit Policy was reviewed and updated based on the new lending strategy and direction and was approved by the Board along with the new and updated policies and procedures manuals.

The products to support the Agri-business lending were also developed on the basis of orientating farmers to transition from “subsistence farming” to embracing “farming as a business”. In this regard, three products were developed to cater for the acquisition of plant and equipment with the view to mechanising the current labour-intensive farming practices, working capital for the inputs targeting the SMEs as well as a Group Lending product for the small holder farmers and out-growers working in communal gardens in particular women and youth. During the year, the company disbursed over GMD10 million to farmers in the North Bank region under a pilot programme covering over 30 SME farmers. In addition, the company signed a Technical Assistance Agreement with Concern Universal to provide farmers with the technical and production training as well as market linkages including quality standards with the view to reinforcing the culture of commercial farming to enhance their productivity and revenue generation capacity.

In preparation for the new growth ambitions, the company upgraded three of its agencies in Banjul, Basse and Churchill’s town to fully fledged branches all of which involved moves to more strategic locations. In Banjul, Tobacco Road agency was re-located to directly opposite the Banjul Albert Market the second largest in The Gambia. Basse and Westfield agencies were re-located to purpose-built branches following an over-crowding in the current locations during peak business hours. In addition, the company invested in bullion vans by changing the old fleet to support the growing cash movements between the branches and agencies which was also complemented with cars to deepen the customer relationship management through structured sales, marketing and stakeholder visits. The information technology infrastructure was also enhanced in terms of hardware upgrades of the servers, smarter printing equipment, scanners and computers.

Our remittances business started on a good footing with the establishment of two correspondent partners in the United Kingdom and United States to target Gambians living and working in these countries by offering them Remittances Plus Services. Half way during the year the company lost three key partners through suspension of their operations, as part of reforms by the Central Bank to sanitise the domestic foreign exchange and international remittances market. The regulators also embarked upon a new foreign exchange re-licensing program for the foreign exchange bureaus. Reliance's international remittances business was impacted during these reforms for a period of two months and we are pleased to have been reinstated to continue business with our key partners. Development of the value propositions for the Gambians in the diaspora is in progress along with the implementation of a new delivery channel to serve this important segment.

The Board in line with its mission of changing lives never fails to act on its mandate of implementing effective risk management and compliance programs supported by strong internal control environment with capacity to identify, measure and wherever possible put in place the mitigation strategies to minimise if not eliminate risks within the overall risk tolerance limits of the company. In June, the Board sanctioned the appointment of Head, Risk Management and Compliance and swiftly implemented the Financial Risk Management program under the International Financial Reporting Standards (IFRS).

In our effort to broaden financial access and promote financial inclusion, the company has within the Technical Implementation Partnership with Concern Universal re-introduced its Business Development and Advisory Services by offering Financial and Educational literacy programs for farmers and also other clients. In the same vein, the Company introduced a new financial inclusion product known as YIRIWAA (Client Welfare) with the view to helping customers to acquire the essentials in life such as Education, Housing, Pensions and Entrepreneurship. The YIRIWAA is a long term savings plan with options for fixed instalments over say 3, 5, 10 and 15 years to save towards the education, housing, retirement planning for the informal sector who are not covered by the national provident fund as well as setting aside funds to start a career in entrepreneurship. There is an option for Life Insurance Cover bundled into the offering. Within the first two months of the pilot to December, over 800 clients were enrolled into the program. The future of the product is quite promising and exciting.

In response to the development of the institutional capacity of the company, we are pleased to announce our membership of the Small Business Banking Network (SBBN) under Capital Plus Exchange who are very well known to Reliance. Over 20 high potential, executive trainees and senior management have been enrolled and provided with access to a library of research and training materials covering SME Banking, Microfinance practices including leadership, strategy development and risk management.

**Outlook**

The Board and Management are quite encouraged by the forecast growth for the year ahead. We remained committed to our long term strategy of financial inclusion which has enabled us to capture hearts and minds of the micro, small and medium enterprises as well as the under and unbanked Gambians to be their preferred financial services partner. We expect that the growth momentum will be sustained through maintaining an efficient operating structure, robust branch network including two added electronic delivery channels leveraging on technology, upgrading of our core banking platform along with prudent lending and risk management. The company will consistently continue to execute a winning strategy that focuses on delivering value to the customer and disciplined cost management.

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## Acknowledgements

Let me conclude my remarks by expressing a deep sense of gratitude to all the value adding and strategic partners of Reliance that contributed in no small measure to our ability to achieve the performance we delivered in 2013. This includes first and foremost our clients and we cannot thank them enough for their patronage, custom and loyalty to the company. Their trust and confidence in our brand and corporate values continues to be the source of our inspiration and innovation. The government of The Gambia and the Central Bank of The Gambia deserve special mention for providing us with the conducive environment that allowed our business to thrive. May I also thank the shareholders, development partners and strategic business partners for your continued support and the Board for its guidance and continued support. All of the above would not have been possible without the commitment and dedication of the dynamic staff whose energy helped in shaping and the deliverance of this performance.

Thank you and God bless Reliance and The Gambia!

Baboucarr Khan
**Managing Director**

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# Directors' Report

The directors present their report and financial statements for the year ended 31 December 2013.

## 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 2013. 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 17 to the financial statements.

## Post Balance Sheet events

There were no significant events after the period end which could affect the results or financial position of the Company.

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## Directors and directors' interest

The directors who held office during the year are shown on page 6.

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 2013 and the date of this report.

| | **Number of shares held** | |
|---|---|---|
| | **2013** | 2012 |
| Mr. Baboucarr Khan | **7,533,836** | 7,533,836 |
| Mrs. Amie Bensouda | **12,559,522** | 12,059,522 |
| Mr. Ebenezer Olufowose | **3,616,539** | 3,526,539 |
| Mr. Ismaila Faal | **4,554,556** | 4,554,556 |
| Mr. Cherno S. Jallow | **8,431,050** | 8,431,050 |
| | **36,695,503** | 36,105,503 |

## Auditors

The auditors, PKF have indicated their willingness to continue in office pursuant to Section 342 (2c) of the Companies Act 2013.

## By order of the board of directors

### Secretary

Dated this ............day of ……..........................2014

# Independent Auditor's 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 2013, 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 2013 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 2013, 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 2013 and the Banking Act 2009.

**PKF**
*Accountants and business advisers*
*Registered Auditors*
*Bijilo, The Gambia*

Date:................................................2014

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# Income Statement

*for the year ended 31st December 2013*

| | Notes | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|---|
| Interest income | 5 | **35,262** | 33,259 |
| Interest expense | 6 | **(11,714)** | (9,707) |
| **Net interest income** | | **23,548** | 23,552 |
| Exchange Income | | **34,286** | 25,989 |
| Fees and commission income | 7 | **15,787** | 22,455 |
| Grant Income | 8 | **6,069** | - |
| Other revenue | | **1,170** | 445 |
| **Total operating revenue** | | **80,860** | 72,441 |
| **Operating expenses** | | | |
| Personnel cost | 9 | **(20,235)** | (16,950) |
| General and administration cost | | **(21,707)** | (18,199) |
| Premise and equipment | | **(10,263)** | (8,337) |
| Depreciation | 17 | **(5,914)** | (3,933) |
| **Total operating expenses** | | **(58,119)** | (47,419) |
| **Operating Profit** | | **22,741** | 25,022 |
| Net (provision)/recoveries of credit losses | | **(1,195)** | (11,114) |
| **Profit before taxation** | 10 | **21,546** | 13,908 |
| Income tax expense | 11 | **(1,350)** | (1,422) |
| **Profit for the year** | | **20,196** | 12,486 |

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

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# Balance Sheet

*as at 31st December 2013*

| | Notes | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and local bank balances | *12* | **51,197** | 46,835 |
| Treasury bills | *13* | **66,787** | 84,238 |
| Placements with banks | 14 | **82,624** | 44,138 |
| Loans | *15* | **70,070** | 59,555 |
| Other assets | *16* | **28,995** | 24,039 |
| Property, Plant & Equipment | *17* | **33,725** | 18,779 |
| **Total assets** | | **333,398** | 277,584 |
| **Liabilities** | | | |
| Customer deposits | *18* | **247,525** | 206,043 |
| Due to local banks | *12* | **5,807** | 39 |
| Other payables | *19* | **4,134** | 34,829 |
| Taxation | | **541** | 591 |
| Non Repayable grant | 20 | **6,677** | - |
| Long term loan | *21* | **14,886** | 3,040 |
| **Total liabilities** | | **279,570** | 244,542 |
| **Equity and reserves** | | | |
| Share capital | *22* | **62,004** | 61,414 |
| Statutory reserve | | **8,171** | 3,122 |
| Accumulated deficit | | **(16,347)** | (31,494) |
| **Total equity and reserves** | | **53,828** | 33,042 |
| **Total equity and liabilities** | | **333,398** | 277,584 |

These financial statements were approved by the board of directors on ……………………………2014 and were signed on its behalf by:

.................................... Director

.................................... 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 2013*

| | Share Capital D'000 | Statutory Reserve D'000 | Accumulated Deficit D'000 | Total D'000 |
|---|---|---|---|---|
| Balance as at 1st January 2012 | 61,164 | - | (40,858) | 20,306 |
| Shares issued and fully paid for | 250 | - | - | 250 |
| Profit for the year | - | - | 12,486 | 12,486 |
| Transfer to reserves | - | 3,122 | (3,122) | - |
| Balance as at 31st December 2012 | 61,414 | 3,122 | (31,494) | 33,042 |
| Balance as at 1st January 2013 | 61,414 | 3,122 | (31,494) | 33,042 |
| Shares issued and fully paid for | 590 | - | - | 590 |
| Profit for the year | - | - | 20,196 | 20,196 |
| Transfer to reserves | - | 5,049 | (5,049) | - |
| **Balance as at 31st December 2013** | **62,004** | **8,171** | **(16,347)** | **53,828** |

Central Bank of The Gambia requires all licensed Financial Institutions that do not meet the minimum capital and statutory reserve ratio of 1:1 to transfer 25% of their annual profits to statutory reserve, thereafter, transfers to reserves decrease to 15%. Accordingly, an amount of D5,049,000 (2012: D3,122,000) was transferred to statutory reserve for the year.

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

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# Cash Flow Statement

*for the year ended 31st December 2013*

| | Notes | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating profit | | **21,546** | 13,908 |
| Depreciation | *17* | **5,914** | 3,933 |
| Increase in operating assets | *23* | **(15,471)** | (813) |
| Increase in operating liabilities | *24* | **10,787** | 53,019 |
| Fixed assets write offs | | **3,443** | 3,347 |
| Profit on disposal | | **(140)** | - |
| **Cash generated from operations** | | **26,079** | 73,394 |
| Company tax paid | | **(1,400)** | (1,065) |
| **Cash flows from operating activities** | | **24,679** | 72,329 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | *17* | **(24,303)** | (5,280) |
| Proceed on disposal | | **140** | - |
| **Cash flows from investing activities** | | **(24,163)** | (5,280) |
| **Financing activities** | | | |
| Proceeds from issue of shares | | **590** | 250 |
| Loans received from SDF (EPMDP and AFDB) | *21* | **10,000** | 5,476 |
| AECF Non Repayable Grant | *20* | **12,010** | - |
| AECF Repayabe Grant | *21* | **5,492** | - |
| Loan repayment during the year | *21* | **(3,646)** | (2,436) |
| Transfer of Non Repayable grant to Income | *20* | **(5,333)** | - |
| **Cash flows from financing activities** | | **19,113** | 3,290 |
| **Net increase in cash and cash equivalent** | | **19,629** | 70,339 |
| **Cash and cash equivalent at 1st January** | | **175,172** | 104,833 |
| **Cash and cash equivalents at 31st December** | *12* | **194,801** | 175,172 |

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

# Notes (forming part of the financial statements)

## 1. Reporting entity

Reliance Financial Services is a company domiciled in The Gambia. The registered address of the company is 46A Kairaba Avenue, P. O. Box 4645, K.S.M.D., The Gambia. The company is involved primarily in financial intermediation as Non Bank Financial Institution (NBFI).

## 2. Basis of Preparation

### (a) Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles, requirements of the Companies Act 2013 and also the Banking Act 2009.

The financial statements were approved by the Board of Directors on 28th March 2014.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

These financial statements are presented in The Gambian Dalasis (GMD), which is the Company's functional and presentation currency.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported 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.

# 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in all periods presented in these financial statements in dealing with items, which are considered material to the Company's financial statements.

## a) 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.

## b) Interest income

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the company and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement.

Interest earned comprises of 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) Fees and commission income

Fees and commission income, including remittances commission, account servicing fees, are recognised as the related services are performed. Fees and commission expense relates to mainly to transaction and service fees, which are expensed as the service is received. Loan fees are credited to income when the loan is granted.

## d) Lease payments made

Payments made under operating leases are recognised in Income Statement on a straight-line basis over the term of the lease.

## e) Income tax

Income tax on the profit for the year comprises current tax and is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## f) Cash and cash equivalent

Cash and cash equivalents include notes and coins on hand, balances held with local correspondent and central banks and liquid assets with original maturities of less than one year, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position. Cash and cash equivalent as per cash flow statement comprises of cash and bank balances and short term investment.

## g) 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.

## h) Investment securities – treasury bills and placements with Banks

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

## i) Property, plant, 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.

## j) 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.

## k) Employee benefits

The company has a defined contribution plan for its employees and 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.

## l) Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## m) Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The company's primary format for segment reporting is based on business segments.

### n) Dividends

Dividends are recognised as a liability in the period in which they are declared.

### o) Borrowings (liabilities to banks and customers)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method, any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings and other forms of financial liabilities shall be de-recognised from the books only when they are extinguished, ie when the obligation specified in the contract is discharged or cancelled or expires.

## 4. Financial risk management

**Introduction and overview**

The Company has exposure to the following risks arising from the use of financial instruments. Typical of such risks are as follows:

- credit risk
- liquidity risk
- market risk
- operational risk.

These are principal risks of the company. This note presents information about the company's exposure to these risks, including the objectives, policies and processes for measuring and managing the risks as well as their impact on earnings and capital.

**Risk management framework**

This depends mainly on the Risk Management framework set out by the Central Bank. Company specific framework based on the overall structure of the company ensures that the Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has established the Company's Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring company's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The company's risk management policies are established to identify and analyse the risks faced by the institution, 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 company, 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 company's Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. The company's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## (a) Credit risk

Credit risk is the risk of financial loss to the institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

**Management of credit risk**

The Board of Directors has delegated responsibility for the management of credit risk to its Board Risk and Credit Committee. A separate Credit department, reporting to the Management and Board Credit Committees, is responsible for oversight of the Company's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;

- Establishing the authorisation and structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Management or Board Credit Committees as appropriate.

- Reviewing and assessing credit risk. The bank/Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the company's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the company.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to Risk and
- Credit committee on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance, specialist skills and training to business units to promote best practice throughout the company in the management of credit risk.

Each business unit is required to implement company's credit policies and procedures, with credit approval authorities delegated from the Board Credit Committee. The Chief Operating Officer reports on all credit related matters to local management and the company's Credit Committee. The COO is responsible for the quality and performance of the credit portfolio and for monitoring and controlling all credit risks in the portfolio, including those subject to central approval. Regular audits of the Credit processes are undertaken by Internal Audit.

## Exposure to credit risk before collateral held or other Credit enhancements

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---:|---:|
| Balances with Central Bank of The Gambia | **11,227** | 8,006 |
| Balances with local commercial banks | **24,492** | 20,794 |
| Treasury Bills placements with Central Bank | **70,000** | 86,135 |
| Investments with commercial banks | **85,311** | 45,455 |
| Loans to customers | **74,077** | 75,446 |
| **Total Risk Assets** | **265,107** | **235,836** |

The above table represents a worst case scenario of credit risk exposure to the company as at 31st December 2013 and 31st December 2012 without taking account of any collateral or other credit enhancements attached.

## Exposure to Regulated Financial and Public Institutions

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---:|---:|
| Balances with Central Bank of The Gambia | **11,227** | 8,006 |
| Balances with local commercial banks | **24,492** | 20,794 |
| **Total Bank Balances** | **35,719** | 28,800 |

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| Treasury Bills placements with Central Bank | **70,000** | 86,135 |
| Investments with commercial banks | **85,311** | 45,455 |
| **Total Investments/placements with Banks** | **155,311** | 131,590 |

**Risk limit control and mitigation policies**

The Company takes on exposure to credit risk, which is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans.

Credit default risk from customer credit exposures is defined as the risk of losses due to a potential non-fulfillment of the contractual payment obligations associated with a customer credit exposure. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Risk and Compliance Department is responsible to identify potential risks, propose measures for their minimization (or limits for control), and monitor the implementation of the measures approved and report on developments in the subsequent meeting.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

**Collateral**

The Company measures the exposure to credit risk associated with certain kinds of collateral. Accordingly, the Company monitors its reliance on different kinds of collateral. To the extent that real estate prices are dropping coupled with slow and bureaucratic process for realization of such properties, the Company expects that its credit risk losses on impaired lending may increase as the value of collateral decreases.

The Company employs a range of policies and practices to mitigate credit risk. The company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Cash
- Mortgages on residential properties

. Charges on business assets such as premises, inventory and accounts receivable.

In order to minimise the credit loss, the Company seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans. Treasury bills and placement with other banks are generally unsecured.

**Credit risk management**

The company accounts for counterparty risks arising from the loan portfolio by making allowances for impaired loans. Individually impaired loans are loans for which the company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Credit exposures in arrears are defined as credit exposures for which contractual interest and/or principal payments are overdue. The quality of the loan portfolio is monitored on an ongoing basis. The measure for loan portfolio quality is the portfolio at risk (PAR), which the company defines as all credit exposures outstanding with one or more payment of interest and/or principal in arrears by more than 30 days.

Typically, the primary sign of impairment of a credit exposure is that it is in arrears by more than 30 days. This means that any principal and/or interest payment from a client that is overdue by more than 30 days is viewed as evidence of impairment. The company also views a credit exposure as being impaired if it obtains objective evidence for impairment – even if the credit exposure is not in arrears by more than 30 days.

If the loan is impaired, the total credit exposure towards the client is taken into consideration and the contamination principle applies. This means that once one loan is impaired, every individual loan to the client and to related parties will be reviewed in order to determine the extent to which other loans to the client or the group are also impaired.

The criteria for classification of financial assets into these groups are as follows:

**Company's internal Provision classifications**

| Company's rating | classification of provisions | % |
|---|---|---|
| Less than 30 days | General | 1 |
| 31-90days | Standard | 5 |
| 91-180 days | Sub-Standard | 20 |
| 181-364 days | Doubtful | 50 |
| >365 days | Loss | 100 |
| Restructured loans | | 5 |

Loss loans over two years are written off form the company's records and a memorandum list maintained for continuous monitoring for recoveries.

**Impairment and provisioning policies**

The internal rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. The impairment provision shown in the statement of financial position at period-end is derived from each of the internal rating grades. However, the majority of the impairment provision comes from the bottom two grades. The table below shows the percentage of the Company's on balance sheet items relating to loans and the associated impairment provision for each of the Company's internal rating categories:

**31st December 2013**

| **Company's rating** | **Loan balance due from customers (%)** | **Impairment provision (%)** |
|---|---|---|
| Investment | 85 | 1 |
| Standard | 9 | 9 |
| Sub-standard | 2 | 7 |
| Doubtful loans | 1 | 12 |
| Loss Loans | 3 | 71 |
| Total | 100 | 100 |

31st December 2012

| **Company's rating** | **Loan balance due from customers (%)** | **Impairment provision (%)** |
|---|---|---|
| Investment | 73 | 1 |
| Standard | 2 | 4 |
| Sub-standard | 3 | 3 |
| Doubtful loans | 4 | 8 |
| Loss Loans | 19 | 84 |
| Total | 100 | 100 |

The Company's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when required by individual circumstances. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment does not take into account collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

**Assets exposed to credit risk**
**a) Assets neither past due nor impaired (no arrears)**

The credit quality of the portfolio of loans were as follows:

31st December 2013

| | Express | Micro | SME | Personal | Total |
|---|---|---|---|---|---|
| No arrears | GMD'000 | GMD'000 | GMD'000 | GMD'000 | GMD'000 |
| Total | 75 | 1,532 | 42,707 | 15,655 | 59,969 |

31st December 2012

| | Express | Micro | SME | Personal | Total |
|---|---|---|---|---|---|
| No arrears | GMD'000 | GMD'000 | GMD'000 | GMD'000 | GMD'000 |
| Total | 367 | 1,717 | 33,852 | 13,787 | 49,723 |

**b) Assets past due but not yet impaired (0-30 days)**

The gross amounts of loans and advances to customers by product that were past due but not impaired were as follows:

31st December 2013

| | Express | Micro | SME | Personal | Total |
|---|---|---|---|---|---|
| No arrears | GMD'000 | GMD'000 | GMD'000 | GMD'000 | GMD'000 |
| Total | 25 | 171 | 2,792 | 137 | 3,125 |

31st December 2012

| | Express | Micro | SME | Personal | Total |
|---|---|---|---|---|---|
| No arrears | GMD'000 | GMD'000 | GMD'000 | GMD'000 | GMD'000 |
| Total | 18 | 33 | 2,318 | 1,760 | 4,129 |

**c) Assets impaired (arrears of more than 30 days)**

31st December 2013

| | Express | Micro | SME | Personal | Total |
|---|---|---|---|---|---|
| No arrears | GMD'000 | GMD'000 | GMD'000 | GMD'000 | GMD'000 |
| Total | 177 | 681 | 9,792 | 33 | 10,983 |

31st December 2012

| | Express | Micro | SME | Personal | Total |
|---|---|---|---|---|---|
| No arrears | GMD'000 | GMD'000 | GMD'000 | GMD'000 | GMD'000 |
| Total | 51 | 9,405 | 12,020 | 118 | 21,594 |

**Loans with renegotiated terms**

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the institution has made concessions that it would not otherwise consider. The status or risk grade of a restructured facility does not change until there is evidence of performance over a reasonable period of time.

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Loan Portfolio | **74,077** | 75,446 |
| Renegotiated loans | **4,275** | - |
| Renegotiated loans as a % of loan portfolio | **6** | - |

**Concentration of risks of financial assets with credit risk exposure**

The Company monitors concentrations of credit risk by economic sector and by geographic location. The structure of the loan portfolio is regularly reviewed by the Risk Department in order to identify potential events, which could have an impact on large areas of the loan portfolio (common risk factors) and, if necessary, limit the exposure towards certain sectors of the economy.

Credit portfolio risk is limited by the Company's credit strategy; in particular the focus on SMEs and the broad geographical and economic sector diversification of the loan portfolio. An analysis of such concentrations at the reporting date is shown below:

## Economic sector risk concentrations

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Agriculture | **10,317** | 1,905 |
| Cottage Industries | **3,080** | 3,295 |
| Trading | **39,970** | 41,688 |
| Transport | - | 1,025 |
| Construction | **869** | 1,701 |
| Personal loans | **12,121** | 15,697 |
| Services | **7,720** | 10,135 |
| **Total Loans and advances to customers** | **74,077** | 75,446 |

The Company follows a guideline that limits concentration risk in the loan portfolio by ensuring that large credit exposures (those exceeding 15% of regulatory capital) require the approval by the Board.

**Geographic risk concentrations**

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Banjul | **2,019** | 2,802 |
| Kanifing | **48,731** | 53,921 |
| West Coast | **4,113** | 3,635 |
| North Bank | **16,539** | 11,809 |
| Lower River | **342** | 635 |
| Central River | **1,424** | 1,638 |
| Upper River | **909** | 1,006 |
| **Total Loans and advances to customers** | **74,077** | 75,446 |

## Write-off policy

The company writes off a loan balance (and any related allowances for impairment losses) when the Credit function determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of

significant changes in the borrower's financial position such that the borrower can no longer discharge the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

## Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the company mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from company's Risk Committee.

## (b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liabilities as they fall due. The risk arises from mismatches in the timing of cash flows.

## Management of liquidity risk

The company'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 company's reputation.

The treasury function receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, placements with local correspondent banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the company as a whole. The liquidity requirements of business units are met by drawing on lines of credit with local correspondent banks to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by ALCO and the Board Risk and Credit Committee. Daily reports cover the liquidity position of the company.

## Exposure to liquidity risk

The key measure used by the company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks. Details of the reported company (liquid ratio) ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

| | **2013** | **2012** |
|---|---|---|
| At 31 December | 79% | 85% |
| Average for the period | 78% | 72% |
| Maximum for the period | 91% | 84% |
| Minimum for the period | 68% | 58% |
| **Minimum statutory requirement** | **45%** | **45%** |

**31st December 2013**

| | **0 -3 mths GMD'000** | **3 - 6 mths GMD'000** | **6 - 12 mths GMD'000** | **1 - 5 yrs GMD'000** | **Total GMD'000** |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash equivalents | 51,197 | - | - | - | 51,197 |
| Treasury bills | - | 30,000 | 40,000 | - | 70,000 |
| Placements with banks | 33,972 | 15,942 | 35,397 | - | 85,311 |
| Loans to customers | 18,687 | 23,903 | 22,295 | 9,192 | 74,077 |
| **Total Financial Assets** | **103,856** | **69,845** | **97,692** | **9,192** | **280,585** |

| | | | | | |
|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | |
| Deposits from customers | 43,796 | 30,651 | 158,353 | 14,725 | 247,525 |
| Borrowed funds | 708 | 1,493 | 1,599 | 11,086 | 14,886 |
| **Total Financial Liabilities** | **44,504** | **32,144** | **159,952** | **25,811** | **262,411** |
| **Liquidity Gap** | **59,352** | **37,701** | **(62,260)** | **(16,619)** | **18,174** |

31st December 2012

| | 0 -3 mths GMD'000 | 3 - 6 mths GMD'000 | 6 - 12 mths GMD'000 | 1 - 5 yrs GMD'000 | Total GMD'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash equivalents | 46,835 | - | - | - | 46,835 |
| Treasury bills | 35,135 | 20,000 | 31,000 | - | 86,135 |
| Placements with banks | - | 28,380 | 17,075 | - | 45,455 |
| Loans to customers | 8,593 | 19,430 | 22,603 | 24,820 | 75,446 |
| **Total Financial Assets** | 90,563 | 67,810 | 70,678 | 24,820 | 253,871 |
| **Financial Liabilities** | | | | | |
| Deposits from customers | 194,908 | 5,174 | 5,799 | 162 | 206,043 |
| Borrowed funds | 1,920 | 1,120 | - | - | 3,040 |
| **Total Financial Liabilities** | 196,828 | 6,294 | 5,799 | 162 | 209,083 |
| **Liquidity Gap** | (106,265) | 61,516 | 64,879 | 24,658 | 44,788 |

The previous table shows the undiscounted cash flows on the company's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The company's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

The Gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment.

## (c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Accountants &
business advisers

## Management of market risk

Overall authority for market risk is vested in ALCO. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

### Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the company's interest rate gap position on non-trading portfolios is as follows:

**31st December 2013**

| | **0 -3 mths GMD'000** | **3 - 6 mths GMD'000** | **6 - 12 mths GMD'000** | **1 - 5 yrs GMD'000** | **Total GMD'000** |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash equivalents | - | - | - | - | - |
| Treasury bills | - | 30,000 | 40,000 | - | 70,000 |
| Placements with banks | 33,972 | 15,942 | 35,397 | - | 85,311 |
| Loans to customers | 18,687 | 23,903 | 22,295 | 9,192 | 74,077 |
| **Total Financial Assets** | **52,659** | **69,845** | **97,692** | **9,192** | **229,388** |
| **Financial Liabilities** | | | | | |
| Deposits from customers | 43,796 | 30,651 | 158,353 | 14,725 | 247,525 |
| Borrowed funds | 708 | 1,493 | 1,599 | 5,594 | 9,394 |
| **Total Financial Liabilities** | **44,504** | **32,144** | **159,952** | **20,319** | **256,919** |
| **Interest rate sensitivity Gap** | **8,155** | **37,701** | **(62,260)** | **(11,127)** | **(27,531)** |

31st December 2012

| | 0 -3 mths GMD'000 | 3 - 6 mths GMD'000 | 6 - 12 mths GMD'000 | 1 - 5 yrs GMD'000 | Total GMD'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash equivalents | - | - | - | - | - |
| Treasury bills | 35,135 | 20,000 | 31,000 | - | 86,135 |
| Placements with banks | - | 28,380 | 17,075 | - | 45,455 |
| Loans to customers | 8,593 | 19,430 | 22,603 | 24,820 | 75,446 |
| **Total Financial Assets** | 43,728 | 67,810 | 70,678 | 24,820 | 207,036 |

**Financial Liabilities**

| | | | | | |
|---|---|---|---|---|---|
| Deposits from customers | 194,908 | 5,174 | 5,799 | 162 | 206,043 |
| Borrowed funds | 1,920 | 1,120 | - | - | 3,040 |
| **Total Financial Liabilities** | 196,828 | 6,294 | 5,799 | 162 | 209,083 |
| **Interest rate sensitivity Gap** | (153,100) | 61,516 | 64,879 | 24,658 | (2,047) |

### Foreign Currency risk

The Company is exposed to currency risk through transactions in foreign currencies. Foreign currency exposure arises mainly from our international remittances where the Company receives settlements in foreign currency from remittances partners. The Central Bank of The Gambia has set the overnight net open position limit for each currency at 10% of the adjusted capital and reserves and the overall net open position to 15% of adjusted capital and reserves. The limits on the level of exposure by currency; and in total for over-night positions, are monitored on a daily basis by the Treasury Department. Based on the department's reports, the Company's ALCO takes strategic currency decisions. The Company's balance sheet positions are mainly in local currency and so the Company's exposure toward currency risk is between the ranges of medium to low.

### (d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company'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 company's operations and are faced by all business entities.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company'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 company 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 risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. 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 company.

## (e) Capital management

### Regulatory capital

The Central Bank of The Gambia sets and monitors capital requirements for the company as a whole. In implementing current capital requirements The Central Bank of The Gambia requires the company to maintain a prescribed ratio of total capital to total risk-weighted assets. The company calculates this ration using the risk weightings for credit risk provided by the Central Bank of The Gambia. The company is also required to maintain a credible capital plan to ensure that the capital level of the company is maintained in consonance with the company's risk appetite. The company's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings and Capital reserve.
- Tier 2 capital, which includes qualifying subordinated liabilities. The company does not have any subordinated debt during the year under review.

Various limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital.

The company'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 company 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. The company has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the company's management of capital during the period. The Company's regulatory capital position at 31 December was as follows:

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| **Tier 1 capital** | | |
| Ordinary share capital | **62,004** | 61,414 |
| Capital Reserve | **8,171** | 3,122 |
| Retained earnings | **(16,347)** | (31,494) |
| | **53,828** | 33,042 |
| **Total Risk-weighted assets** | **199,068** | 158,802 |

**Capital ratios**

| | | |
|---|---|---|
| Total regulatory capital expressed as a percentage of total risk-weighted assets | **27%** | 21% |

## Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Risk Credit committee, and is subject to review by the Board or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the company to particular operations or activities, it is not the sole basis used for decision making. Consideration also is made of synergies with other operations and activities, the availability of management and other resources, and the capability of the activity with the company's longer term strategic objectives. The company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

# 5. Interest income

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Loans | **20,282** | 22,161 |
| Investments | **14,980** | 11,098 |
| | **35,262** | 33,259 |

# 6. Interest expense

| | | |
|---|---|---|
| Savings | **5,314** | 4,446 |
| Time deposits | **2,220** | 2,812 |
| Bank Overdraft | **3,375** | 1,798 |
| Long term borrowing | **805** | 651 |
| | **11,714** | 9,707 |

# 7. Fees & Commission Income

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| Remittances | **8,977** | 19,148 |
| Loans | **3,535** | 2,208 |
| Other | **3,275** | 1,099 |
| | **15,787** | 22,455 |

# 8. Grant Income

| | | |
|---|---|---|
| AECF (See note 8.a. below) | **5,333** | - |
| Gambia Growth and Competitiveness Project (GGCP) (note 8.b.) | **736** | - |
| | **6,069** | - |

### 8.a. AECF Grant Income

This represents the amount of USD133,333.00 of the total non repayable grant recognised in the Income Statement in line with IAS 20 as part of the three equal annual instalments of the total grant of USD400,000.00 AECF funds.

### 8.b. GGCP Grant Income

During the year the Company received a grant of USD20,000.00 from the Gambia Growth and Competitiveness Project with a counter-part contribution of USD5,000.00 to fund the strategic review of the Credit Business of the Company and the development of its Agribusiness lending portfolio.

## 9. 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 2013 | 31st December 2012 |
| --- | --- | --- |
| Executive directors | **2** | 2 |
| Management staff | **5** | 3 |
| General staff | **117** | 106 |
| | **124** | 111 |

The aggregate payroll costs of these persons were as follows:

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
| --- | --- | --- |
| Wages and salaries | **5,766** | 4,859 |
| Allowances including bonuses | **8,347** | 7,949 |
| Other staff costs | **6,122** | 4,142 |
| | **20,235** | 16,950 |

## 10. Profit before taxation

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
| --- | --- | --- |
| The profit before taxation is stated after: | | |
| *Charging:* | | |
| Directors' remuneration | **638** | 1,082 |
| Audit fees | **300** | 300 |

## 11. Income tax expense

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| **Company tax provision** (based on 1.5% of total revenue (2012:1.5% of total revenue) | **1,350** | 1,422 |

The Company has unutilised capital allowances in excess of the chargeable profit. Consequently the company's tax provision is computed based on the minimum corporation tax rate of 1.5% of total revenue.

## 12. Cash and local bank balances

| | | |
|---|---|---|
| Cash (note 12a) | **15,478** | 18,035 |
| Balances with local banks (note 12b) | **35,719** | 28,800 |
| | **51,197** | 46,835 |
| Due to local banks | **(5,807)** | (39) |
| Treasury bills (note 13) | **66,787** | 84,238 |
| Placements with banks (note 14) | **82,624** | 44,138 |
| Cash and cash equivalents in the statement of cash flow | **194,801** | 175,172 |

## 12a. Cash

| | | |
|---|---|---|
| Cash | **13,651** | 17,390 |
| Outward clearing | **1,827** | 645 |
| | **15,478** | 18,035 |

## 12b. Local bank balances

| | | |
|---|---|---|
| Balance with Central Bank of The Gambia | **11,227** | 8,006 |
| Balance with local banks | **24,492** | 20,794 |
| | **35,719** | 28,800 |

## 13. Treasury bills

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| Treasury bills at maturity value | **70,000** | 86,135 |
| Interest unearned | **(3,213)** | (1,897) |
| | **66,787** | 84,238 |

## 14. Placements with banks

| | | |
|---|---|---|
| Placements with Banks at maturity value | **85,311** | 45,455 |
| Interest unearned | **(2,687)** | (1,317) |
| | **82,624** | 44,138 |

## 15. Loans

| | | |
|---|---|---|
| SME Loan | **46,325** | 42,228 |
| Micro Enterprises | **2,430** | 2,285 |
| Express | **387** | 591 |
| Agriculture | **10,220** | - |
| Others | **14,715** | 30,342 |
| **Gross loans** | **74,077** | 75,446 |
| **Less:** | | |
| Specific provision for bad debts | **(2,814)** | (14,805) |
| General provision for bad debts | **(613)** | (613) |
| Interest in suspense | **(580)** | (473) |
| **Net Loans** | **70,070** | 59,555 |

## 16. Other assets

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| Receivables | **26,131** | 21,749 |
| Prepayments | **2,864** | 2,290 |
| | **28,995** | 24,039 |

## 17. 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 | 335 | 21,681 | 385 | 275 | 10,140 | 32,816 |
| Additions | 5,111 | 6,405 | 11,386 | 39 | 1,362 | 24,303 |
| Disposal | - | - | (343) | - | - | (343) |
| Write offs | - | (5,730) | - | - | - | (5,730) |
| **At 31st Dec 2013** | **5,446** | **22,356** | **11,428** | **314** | **11,502** | **51,046** |
| **Depreciation** | | | | | | |
| At 1st January | - | 10,923 | 308 | 27 | 2,779 | 14,037 |
| Charge for the year | - | 3,066 | 2,229 | 50 | 569 | 5,914 |
| Disposal | - | - | (343) | - | - | (343) |
| Write offs | - | (2,287) | - | - | - | (2,287) |
| **At 31st Dec. 2013** | **-** | **11,702** | **2,194** | **77** | **3,348** | **17,321** |
| **Net book value** | | | | | | |
| **At 31st December 2013** | **5,446** | **10,654** | **9,234** | **237** | **8,154** | **33,725** |
| At 31st December 2012 | 335 | 10,758 | 77 | 248 | 7,361 | 18,779 |

Work in progress represents the amount so far spent on the cost of upgrading the Operating Software Banker Realm to the Internet based version including the hardware requirements at the end of the year.

## 18. Customer deposits

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| Savings | **228,402** | 189,509 |
| Fixed deposit accounts | **19,123** | 16,534 |
| | **247,525** | 206,043 |

## 19. Other payables

| | | |
|---|---|---|
| Accruals | **1,119** | 2,547 |
| Interest payable to depositors | **1,336** | 704 |
| Employees' Social Security Contribution | **79** | 60 |
| Employees' Income Tax | **273** | 275 |
| Due to Money Transfer Organisations | **1,327** | 31,243 |
| | **4,134** | 34,829 |

## 20. AECF Non Repayable Grant

**AECF Deferred Income**

| | 31st December 2013 | | 31st December 2012 | |
|---|---|---|---|---|
| | **USD '000** | **GMD '000** | USD '000 | GMD '000 |
| Disbursement received during the year | **300** | **11,026** | - | - |
| Transfer to Income Statement | **(133)** | **(5,333)** | - | - |
| Translation difference | **-** | **984** | - | - |
| Deferred Income | **167** | **6,677** | - | - |

The AECF Deferred Income refers to the non repayable grant component of USD400,000.00 of which USD300,000.00 was disbursed during the year. The Directors resolved to recognize the grant to the Income Statement in three equal annual installments of USD 133,333. The balance of GMD 6,677 million represents the unrecognized portion of the non repayable grant of USD 166,667 as at the end of the year.

## 21. Long term loans

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| SDF – EPMDP - 1 | **3,040** | 5,000 |
| SDF – AFDP | - | 476 |
| SDF – EPMDP – 2 | **10,000** | - |
| AECF Repayable Grant | **5,492** | - |
| | **18,532** | 5,476 |
| Less: Repayments during the year | **(3,646)** | (2,436) |
| Outstanding balance due | **14,886** | 3,040 |
| Payable as follows: | | |
| Less than 2 years | **6,428** | 3,040 |
| Between 2 and 5 years | **8,458** | - |
| Outstanding balance due | **14,886** | 3,040 |

### 21.a. Entrepreneurship Promotion and Microfinance Development Project (EPMDP) - 1

On 6th January 2012, the company contracted a loan of GMD5 million from the Social Development Fund (SDF) under the Entrepreneurship Promotion and Microfinance Development Project (EPMDP) for on-lending to micro, small sized enterprises in rural areas of The Gambia. The loan is for a tenor of eighteen (18) months at an interest rate of 14% computed on a reducing balances basis and repayable on a quarterly basis. The loan is unsecured and fully repaid during the year.

**Entrepreneurship Promotion and Microfinance Development Project (EPMDP) - 2**

This is the sequel to the above loan which was renewed and increased to GMD10 million in July 2013 for a tenor of three (3) years at an interest rate of 14% per annum computed on a reducing balance basis and repayable on a quarterly installment basis. The purpose of the loan is for on-lending to the micro, and small sized enterprises in rural areas of The Gambia. In this case, it was used as Company's counter-part funds towards the matching funds under the AECF grant agreement. The loan is unsecured.

**21.b. Artisanal Fisheries Development Project (AFDP)**

On 3rd September 2012, the company received a loan of GMD476,000 (Four Hundred and Seventy Six Thousand Dalasis) from the SDF Artisanal Fisheries Development Project for on-lending to micro and small sized enterprises in the Peri-Urban areas of The Gambia. The loan is payable over 18 (eighteen) months on quarterly basis at an interest rate of 14% computed on a reducing balances. The loan is unsecured.

**21.c. Africa Enterprise Challenge Fund (AECF)**

The Africa Enterprise Challenge Fund is a "special Partnership Initiative" of the Alliance for Green Revolution in Africa (AGRA) funded by the Consultative Group to Assist the Poor (CGAP), the UK's Department for International Development (DFID), The International Fund for Agricultural Development (IFAD), the Netherlands Ministry of Foreign Affairs (NMFA), the Australian Government Aid Program (AUSAID and the Danish Ministry of Foreign Affairs (Danish MoFa).

In September 2012, Reliance was awarded AECF Funds by AGRA from a total of over 450 business plan proposals in response to the call under the Agribusiness Africa Window (AAW) Round 1 for a total sum of USD1.0 million; comprising a USD400,000.00 and USD600,000.00 non repayable and repayable grants respectively. The repayable grant of USD600,000.00 is interest free, unsecured and disbursement is expected to be completed by 31st December 2015. Repayment is based on two equal annual installments of USD300,000.00 in 2017 and 2018 respectively.

As per the Grant Agreement signed in February 2013, Reliance's obligation is to match that above USD1.0 million with counter-part funding of USD1.136 million comprising of an overdraft line of USD500,000.00; Cash contribution of USD300,000.00 and in-kind contributions of USD135,778 from January 2013 and 31st December 2015.

The balance of GMD5,492,000 relates to the residual balance from the initial disbursement of USD444,708.00 less the USD300,000.00 being the non repayable grant recognised during the year.

**AECF Repayable Loan**

| | **31st December 2013** | | 31st December 2012 | |
|---|---|---|---|---|
| | **USD '000** | **GMD '000** | USD '000 | GMD '000 |
| Disbursement received during the year | **145** | **5,769** | - | - |
| Repayments during the year | **-** | **-** | - | - |
| Translation difference | **-** | **(277)** | - | - |
| Outstanding Balance | **145** | **5,492** | - | - |

## 22. Share Capital

The total number of authorised ordinary shares as at 31st December 2013 was D90 million ordinary shares with a par value of D1.00 per share (2012: 90 million ordinary shares with a par value of D 1 each).

In 2013, D590,000 of the unpaid rights issue outstanding balance was paid. Consequently, the fully paid up capital of the company increased from D61,414,000 to D62,004,000 as at the end of the year.

## 23. Increase in operating assets

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Funds advanced to customers | **(10,515)** | 17,005 |
| Other assets | **(4,956)** | (17,818) |
| | **(15,471)** | (813) |

## 24. Increase in operating liabilities

| | | |
|---|---|---|
| Deposits from customers | **41,482** | 22,174 |
| Other payables | **(30,695)** | 30,845 |
| | **10,787** | 53,019 |

## 25. Contingent liabilities

| | | |
|---|---|---|
| Acceptances, endorsements and other obligations | - | - |

## 26. Capital commitments

| | | |
|---|---|---|
| Authorised by the Board and contracted for | **9,973** | **-** |
| Authorised by the Board but not contracted for | - | - |

# 27. Related party transactions

**Compensation of Senior Management:**

| | 31st December 2013 D'000 | 31st December 2012 D'000 |
|---|---|---|
| Salaries and allowances | **3,779** | 3,039 |
| Pension Contributions | **186** | 157 |
| Other benefits | **1,520** | 907 |
| | **5,485** | 4,103 |

The following are loan balances due to related party:

**Directors, officers and other employees**

| | | |
|---|---|---|
| Directors | **2,903** | 3,040 |
| Officers and other employees | **3,862** | 3,281 |
| | **6,765** | 6,321 |
| Legal fees | **656** | 553 |
| Head office rent | **906** | 861 |

# Notes (forming part of the financial statements) continued

## 28. Value Added Statement

*for the year ended 31st December 2013*

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Interest earned and Other Operating Income | **85,335** | 81,703 |
| Direct cost of Services | **(43,046)** | (35,161) |
| **Value Added by Banking Services** | **42,289** | 46,542 |
| Non Banking Income | **7,239** | 445 |
| Impairments | **(1,195)** | (11,114) |
| **Value Added** | **48,333** | 35,873 |
| **Distributed as follows:** | | |
| **To Employees:-** | | |
| Directors (excluding Executives) | **638** | 1,082 |
| Executive Directors | **2,315** | 2,315 |
| Other Employees | **17,920** | 14,635 |
| **To Government:-** | | |
| Income Tax | **1,350** | 1,422 |
| **To Capital Providers:-** | | |
| Dividend to shareholders | **-** | - |
| **To Expansion and Growth:-** | | |
| Depreciation | **5,914** | 3,933 |
| **Retained earnings** | **20,196** | 12,486 |

# Supplementary Information

### 1.1 General and administration cost

| | **31st December 2013 D'000** | 31st December 2012 D'000 |
|---|---|---|
| Finance cost and charges | **1,236** | 1,350 |
| Printing and stationery cost | **2,304** | 1,992 |
| Communications costs | **1,614** | 1,456 |
| Equipment maintenance expenses | **580** | 255 |
| Transport and travel costs | **4,263** | 4,949 |
| Business promotion costs | **3,553** | 4,008 |
| Professional fees | **5,152** | 2,614 |
| Other costs | **3,005** | 1,575 |
| | **21,707** | 18,199 |

### 1.2 Premises cost

| | | |
|---|---|---|
| Office rent | **3,489** | 2,448 |
| Electricity expenses | **2,701** | 2,406 |
| Cleaning | **712** | 603 |
| Rates and taxes | **702** | 538 |
| Security costs | **1,656** | 1,612 |
| Property insurance | **78** | 120 |
| Property maintenance | **925** | 610 |
| | **10,263** | 8,337 |