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Reliance Financial Services Company Limited

Annual Report
and Financial Statements

for the year ended 31st December 2014

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Contents

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Financial Highlights

	2014	2013	2012	**Increase/ Decrease**
	D'000	D'000	D'000	**2014 vs 2013**
Financial Structure				
Capital to Asset Ratio (at least 16%)	**26%**	27%	21%	(1%)
Debt/ Equity Ratio (Times)	**6**	5	6	(1)
Liquid assets to deposit ratio (between 15% and 45%)	**48%**	50%	85%	(2%)
Deposits to loans	**253%**	335%	346%	(82%)
Deposits to total assets	**61%**	74%	74%	13%
Gross loans Portfolio to Total Assets	**27%**	22.1%	27.2%	4.9%
Outreach Indicators				
Total Number of Borrowers	**5,639**	1,244	1,342	353%
Number of Active borrowers	**5,446**	768	907	609%
Total Value of loans disbursed (GMD'000)	**168,039**	131,603	108,023	27.7%
Average Size of Loans Disbursed (GMD'000)	**30**	106	80	(71.7%)
Gross Loan Portfolio outstanding (GMD'000)	**144,597**	74,077	75,446	94.7%
Average Loan balance per borrower (GMD'000)	**26**	96	53	(72.9%)
Voluntary Savings (GMD'000)	**333,455**	247,525	206,043	34.7%

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	2014	2013	2012	Increase/ Decrease
	D'000	D'000	D'000	**2014 vs 2013**
Number of Branches and Kiosks	**23**	22	23	4.5%
Range of Loan Sizes (GMD'000)	**1-1,500**	1-1,500	1-1,500	-
Financial Performance				
Operational Self-sufficiency	**123%**	122%	48.7%	1%
Financial Revenue Ratio	**47%**	37.70%	40.50%	9%
Yield on gross Portfolio (Nominal)	**29%**	27.40%	26.80%	1.6%
Loan Loss Provision Expense Ratio	**6.2%**	5.70%	13.40%	0.5%
Administrative Expense Ratio	**40%**	21%	18.20%	19%
Efficiency & productivity				
Operating Expense/ Loan Portfolio	**53%**	77%	62.8%	(24%)
Personnel expense/ Loan Portfolio	**19%**	27%	22.50%	(8%)
Cost per borrower (GMD'000)	**14**	46	43	(69.5)
Borrowers per staff member	**40**	10	12	300%
Borrowers per loan officer	**201**	89	71	125.8%
Voluntary savers per staff member	**632**	606	534	4.3%

	2014	2013	2012	Increase/ Decrease
	D'000	D'000	D'000	**2014 vs 2013**
Risk and liquidity				
Portfolio at Risk > 30 Days	**22%**	9.10%	9.40	12.9%
Portfolio at Risk > 90 Days	**21%**	6.20%	7.50	14.8%
Risk Coverage	**8.56%**	27.90%	21.10%	(19.34%)
Non – earning liquid assets as % Total Assets	**20%**	19.90%	16.90%	0.1%
Macro Economic Indicators				
Inflation Rate	**6%**	5.60%	4.90%	0.4%
Exchange Rate (Customs Valuation) GMD/USD	**45.22**	39.89	34.3	13.4%
GDP Growth Rate	**5.5%**	5.60%	4.00%	(0.1)
GDP Per Capita (USD)	**605**	444	444	36%

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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

Ghana International Bank Plc
67 Cheapside
1st Floor, Regina House
London EC2V 6AZ
United Kingdom

Auditors

PKF
Accountants and business advisers
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

Distinguished Shareholders, it gives me pleasure to present to you, the financial statements for the year ended 31st December 2014. The financial performance of the company during the year mixed with the first half to June exceeding all indicators and the second which typically was stronger being sluggish due partly to the effects of the Ebola outbreak in West Africa and the delayed rainy season.

2014 was in many ways the re-birth of Reliance, with the significant investments in building up the core business infrastructure to enable us scale up the operations with the view to delivering sustained growth and profitability in the years ahead. This was manifested in the implementation of the upgrade of the core banking application as well as the introduction of two innovative alternative business channels namely Agency and Internet Banking. These services will enable us to consolidate our position as the financial services provider with the largest outreach and touch points in The Gambia and to serve Gambians living and working abroad.

Economic environment

Forecast growth in the emerging and developing economies was projected at 4.4% in 2014; a slight decline from 4.7% the year before due mainly to the expected slowdown in the Chinese economy. Growth in Sub-Saharan Africa is expected to remain relatively strong, although commodity producers and those with large tourism sectors may be adversely affected by lower commodity prices and possible spillover effects from the Ebola outbreak.

The latest estimates from the Gambia Bureau of Statistics indicate that real GDP contracted by 1.4% in 2014, compared to the growth of 4.6% and 5.9% registered in 2013 and 2012 respectively. The decline in economic activity during the year is explained by the low agricultural production which decreased by 22% due to the delayed and insufficient rains and the negative impact of the Ebola epidemic on the tourism sector.

Financial performance

Key to the financial results for the year was the consistent focus on enhancing affordability, accessibility and convenience to the vast majority of Gambians who are largely unbanked and under-banked, which has seen its growth momentum maintained for the period ended 31st December 2014. The Company's earnings per share increased to GMD0.54 from GMD0.40 per share in 2013. The Company achieved a return on equity (ROE) of 41%; compared to 46% in 2013; and return on assets (ROA) of 5.1% compared to 6.1% in 2013; despite the massive investment in the IT platform, core banking platform, mobile and internet banking services and the branch network to support SME growth during the year.

Profit before tax grew by 37% from GMD21.5 million to GMD29.5 million demonstrating the resilience of the company's focused strategy and business model. Against slow economic growth and despite stiff competition in many of our markets, the strong performance by the Company once again demonstrates our ability to deliver substantial and sustained value for our shareholders and other stakeholders. On the regulatory front, we continue to be in compliance with all the statutory and prudential ratios of the Central Bank of The Gambia.

Dividend

The board is mindful of the need to maximise shareholder value not only by ploughing back funds into the company for future business growth, but also ensuring a culture of rewarding shareholders via dividend payment. After eight years of patience by the shareholders, the Directors are recommending the payment of a dividend of GMD0.04 per share issued as a demonstration of confidence in the strength of the Company's balance sheet and sustainability of growth.

Outlook

2014 was another year of strong performance and the board remains confident about the prospects in 2015 despite less encouraging economic prognosis. The economy is expected to grow at a declining pace this year, in the aftermath of the Ebola epidemic and delayed rains of 2014, according to projections by the World Bank and the International Monetary Fund (IMF). We at Reliance will not waiver in our commitment to leverage on our strength, to continue deliver the provision of inclusive customer-focused financial services and changing the lives of our customers in the communities we operate in.

Acknowledgements

Finally, I wish to express my sincere appreciation to the teams that have enabled us make these great strides over the years. Many thanks to my fellow members of the Board of Directors, the management and staff of Reliance Financial Services for their hard work, our customers for their untiring support and last but not the least to all our development partners and other stakeholders who have kept faith in us throughout this journey.

Amie N. Bensouda

Chairperson of the Board of Directors

Managing Director's Statement

I am delighted once again to present to you the annual report and financial statements of Reliance Financial Services Company Limited for the year ended 31st December 2014. On behalf of the management and staff of the company, I am pleased to report that Reliance has achieved complete financial breakeven have fully recovered all the accumulated losses from previous operations. This result is the culmination of four consecutive years of financial losses from inception in 2006 to December 2009 as well as another four years of sustained profitability growths from December 2010 to 2014; coupled with the design, development and implementation of strategies and business models with the unwavering support of our Directors, the patience of our shareholders and cooperation of our numerous business and development partners including the Central Bank of The Gambia.

2014 performance review

During the year under review, the company posted profits after tax of GMD27.6 million; an increase of 37% from GMD20.2 million the previous year.

The Balance Sheet grew by 62.9% from GMD333.4 million to GMD543.3 million during the period under review. Leveraging on the macro-economic environment, our investments in government treasury bills were increased by 138% from GMD67million the prior year to GMD160 million during the period. In the same vein, our placements with our local correspondent banks also recorded an increase of 28% over 2013. The net outstanding loan portfolio recorded its highest year on year growth of 89% increasing to GMD132 million as at the end of the year; driven mainly by the Agri-business and Standard Group loan portfolios. The assets growth was funded mainly through stable deposits of GMD85.9 million or a 35% increase in the customer deposits from 2013; increases in the lines of credit with our major correspondent banks and shareholders' funds and the AECF repayable grant disbursements.

The company posted strong revenue growth during the year under review to the tune of GMD115 million; an increase of 42.5% from the 2013. Funded and Non-funded income both jumped to GMD63.0 million and GMD70.7million representing 78.7% and 23.3% respectively. With an optimal funding structure which is low cost deposit led, shareholders funds and lines of credit, net Interest income grew to GMD44.6 million from GMD23.5 million.

Total operating expense increased to GMD76.7 million or 32%d during the period. This translated into a significant improvement in cost income ratio from 72% in 2013 to 66% during the year. The significant investments in the upgrade and implementation of the Core Banking application and introduction of Agency and Internet Banking including the setting up of the disaster recovery site as well as replacement of the personal computers across the entire branch network coupled with the training of the staff, all attributed to increase in operating costs. We are confident that going forward we shall continue to see significant improvement in the cost to income ratio as we reap the benefits of the investments in technology already made.

The company continues to be in full compliance with all the statutory and prudential ratios. The primary capital including statutory reserve is at GMD77.1 million against the minimum of GMD50 million. The capital adequacy ratio for the year declined marginally to 26% from 27% in 2013 compared to the minimum of 16%. The liquidity ratio during the year average 78%; jumping to 83% and never fell below 75% compared to the minimum of 45%. The gearing ratio as at December 2014 was 5 times equity against the maximum of 10 times.

Business developments and strategic initiatives

2014 marked the second year of our sixth year agreement with the Alliance for Green Revolution in Africa (AGRA) for the implementation of the Grant Agreement under the management of the Africa Enterprise Challenge Fund (AECF). We are pleased to announce that all the activities under the four pillars of the programme has started; while the others are at an advanced stage of implementation. The disbursement by AECF during the year was USD181,865 taking total disbursements to USD625,573; representing 62.7% of total grant. Reliance's counter-part contribution during the period increased to USD927,896 from USD641,655 or 44.6%. The off and on-site visits by the AECF team have all confirmed our compliance with the provisions of the agreement.

Within the framework of the AECF programme, the company was able to invest in the expansion of the network with the addition of two new agencies in Bwiam and Wassu as well as the upgrade of a Kiosk in Tanjeh to a fully fledged Agency increasing the customer touch points to 24. The agency in Wassu is the only licensed financial services branch in the north of Central River Region (CRR) thus taking our network in the region to three (3) by the presence in Bansang and Brikamaba in line with our mission to provide accessible and affordable financial services to the un-banked and served regions of The Gambia.

In our quest to scale up the operations of the Company to achieve sustained profitability, the Board sanctioned the complete upgrade of the core banking system; coupled with the introduction of two new innovative business channels to further deepen our service delivery channels namely - Agency and Internet Banking. In addition, the setting up of an in-house Information Technology Department was approved by the Board to manage and oversea the automation of the process and activities of the company to improve efficiency and productivity. The department is now fully resourced and institutionalisation of its programme of activities is progressing according to plan.

A dedicated Customer Relationship Management (CRM) was also introduced during the period to essentially bridge the communication within the company and more importantly between the company and our esteem customers. The system which entails a help desk will allow employees to log issues emanating from their day to day activities online which is then tracked for resolution and closure as well as a robust customer complaints/feedback module that also allows us to communicate directly with customers via the phone and the internet. In line with above IT initiatives, the company has developed a robust Information Technology strategy to manage, direct and optimise the investments in our IT infrastructure as a lever of growth and development. The structure and setting up of the overall IT systems is being overseen by a seasoned IT Consultant through a technical assistance support from Capital Plus Exchange.

Diversification of our lending is continuing with the rollout of our Agri-business Value Chain and the introduction our Women Banking Group Lending methodology which is under pilot. Notwithstanding, the company is also considering the recommendations of the diagnostic report on our SME portfolio which for implementation under a Small Business Banking segment. The study was conducted during the year through the second technical assistance with Capital Plus Exchange. The fourth segment within our credit portfolio is the Personal loans which primarily is targeted to the salaried employees of private companies, public enterprises and Non-Governmental Organisations (NGOs). All of the above go to re-affirm our renewed focus on customer centric market and innovative product development and delivery using a multi-channel approach comprising branches, agencies, internet and CRM.

Staff

As a company, we believe in the continuing investment in our employees to ensure they are well equipped the right knowledge, experiences, skills and competencies for their respective positions. Reliance is committed to developing the careers of its employees in terms of both on-the-job and external training programs to achieve congruence between the growth of the individual and the individual at all levels. To strengthen the senior and middle management cadres of the company, the positions of Head Agency Banking and Information Technology as well as Internal Audit and Finance Manager were filled during the period under review. These appointments would no doubt position the company to continue to be the leader of the sub-sector thereby becoming more competitive and innovative in responding to the market challenges and most importantly the opportunities.

Outlook

As we enter the fourth strategic planning cycle of the company, we are confident that the strategies and business structures put in place by the Board will enable us to leverage the growth trajectory driven by our agency and internet banking, focus on Small Business Banking, Women Banking and the Agribusiness Value Chain. We shall also deepen our low cost deposit mobilisation across the business segments through improved product designs and innovations that respond to the needs and expectations of our customers along with prudent lending and risk management systems and procedures. The company will continue to be guided by its principle of delivering value to the customer, disciplined cost management and increasing productivity of employees. With the above, we are optimistic of continued consistent and superior performance in 2015 and beyond.

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 in our ability to achieve the performance we delivered in 2014. 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 2014.

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.

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	
	2014	2013
Mr. Baboucarr Khan	**7,533,836**	7,533,836
Mrs. Amie Bensouda	**12,559,522**	12,559,522
Mr. Ebenezer Olufowose	**3,616,539**	3,616,539
Mr. Ismaila Faal	**4,554,556**	4,554,556
Mr. Cherno S. Jallow	**8,431,050**	8,431,050
	36,695,503	36,695,503

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 ……..........................2015

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 2014, 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 Rules and Guidelines Volume Six. 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 2014, 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 Rules and Guideline Volume Six.

PKF
Accountants and business advisers
Registered Auditors
Bijilo, The Gambia

Date:...2015

Accountants & business advisers

Income Statement

for the year ended 31st December 2014

	Notes	31st December 2014 D'000	31st December 2013 D'000
Interest income	*5*	**63,038**	35,262
Interest expense	*6*	**(18,445)**	(11,714)
Net interest income		**44,593**	23,548
Exchange income		**42,835**	34,286
Fees and commission income	*7*	**18,718**	15,787
Grant income	8	**5,479**	6,069
Other revenue		**1,081**	1,170
Total operating revenue		**112,706**	80,860
Operating expenses			
Personnel cost	*9*	**(27,407)**	(20,235)
General and administration cost		**(30,770)**	(21,707)
Premise and equipment		**(11,574)**	(10,263)
Depreciation and amortisation	*17&18*	**(7,088)**	(5,914)
Total operating expenses		**(76,839)**	(58,119)
Operating Profit		**35,867**	22,741
Net provision for credit losses		**(6,393)**	(1,195)
Profit before taxation	*10*	**29,474**	21,546
Income tax expense	*11*	**(1,923)**	(1,350)
Profit for the year		**27,551**	20,196
Basic earnings per share	*12*	**0.54**	0.40
Diluted earnings per share		**0.54**	0.40

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

Balance Sheet

as at 31st December 2014

	Notes	**31st December 2014 D'000**	31st December 2013 D'000
Assets			
Cash and local bank balances	*14*	**51,775**	51,197
Treasury bills	*15*	**160,359**	66,787
Placements with banks	16	**105,987**	82,624
Loans	*17*	**131,636**	70,070
Other assets	*18*	**39,358**	28,995
Property, Plant & Equipment	*19*	**38,496**	33,725
Intangible assets	20	**15,655**	-
Total assets		**543,266**	333,398
Liabilities			
Customer deposits	*21*	**333,455**	247,525
Due to local banks	*14*	**91,514**	5,807
Other payables	*22*	**14,168**	4,134
Taxation		**609**	541
Deferred Income	23(a)(b)	**2,073**	6,677
Long term loan	*24*	**20,068**	14,886
Total liabilities		**461,887**	279,570
Equity and reserves			
Share capital	*25*	**62,004**	62,004
Statutory reserve		**15,059**	8,171
Accumulated deficit		**4,316**	(16,347)
Total equity and reserves		**81,379**	53,828
Total equity and liabilities		**543,266**	333,398

These financial statements were approved by the board of directors on ……………………………2015 and were signed on its behalf by:

.... Director

.... Director

.... Director

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

Accountants & business advisers

Statement of changes in equity

for the year ended 31st December 2014

	Share Capital D'000	Statutory Reserve D'000	Accumulated Deficit D'000	Total D'000
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
Balance as at 1st January 2014	62,004	8,171	(16,347)	53,828
Profit for the year			27,551	27,551
Transfer to reserves		6,888	(6,888)	-
Balance as at 31st December 2014	**62,004**	**15,059**	**4,316**	**81,379**

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 D6, 888,000 (2013: D5,049,000) was transferred to statutory reserve for the year.

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

Cash Flow Statement

for the year ended 31st December 2014

	Notes	31st December 2014 D'000	31st December 2013 D'000
Operating activities			
Operating profit		**29,474**	21,546
Depreciation	*19&20*	**7,088**	5,914
Increase in operating assets	*26*	**(71,929)**	(15,471)
Increase in operating liabilities	*27*	**95,964**	10,787
Fixed assets write offs		**-**	3,443
Profit on disposal		**-**	(140)
Cash generated from operations		**60,597**	26,079
Company tax paid		**(1,855)**	(1,400)
Cash flows from operating activities		**58,742**	24,679
Investing activities			
Acquisition of property, plant and equipment	*19&20*	**(27,514)**	(24,303)
Proceed on disposal		-	140
Cash flows from investing activities		**(27,514)**	(24,163)
Financing activities			
Proceeds from issue of shares		**-**	590
Grant / Loans received from SDF - EPMDP	*23b*	**875**	10,000
AECF Non Repayable Grant	*23a*	**-**	12,010
AECF Repayabe Grant	*24*	**8,170**	5,492
SDF Loan repayment during the year	*24*	**(2,988)**	(3,646)
Transfer of Non Repayable grant to Income	*23a*	**(5,333)**	(5,333)
Transfer of SDF Grant to income	23b	**(146)**	-
Cash flows from financing activities		**578**	19,113
Net increase in cash and cash equivalent		**31,806**	19,629
Cash and cash equivalent at 1st January		**194,801**	175,172
Cash and cash equivalents at 31st December	*12*	**226,607**	194,801

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 Rules and Guidelines volume six.

The financial statements were approved by the Board of Directors on the 14th March 2015.

(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 2014 D'000	31st December 2013 D'000
Balances with Central Bank of The Gambia	**15,821**	11,227
Balances with local commercial banks	**19,618**	24,492
Treasury Bills placements with Central Bank	**165,578**	70,000
Investments with commercial banks	**109,436**	85,311
Loans to customers	**144,597**	74,077
Total Risk Assets	**455,050**	265,107

The above table represents a worst case scenario of credit risk exposure to the company as at 31st December 2014 and 31st December 2013 without taking account of any collateral or other credit enhancements attached.

Exposure to Regulated Financial and Public Institutions

	31st December 2014 D'000	31st December 2013 D'000
Balances with Central Bank of The Gambia	**15,821**	11,227
Balances with local commercial banks	**19,618**	24,492
Total Bank Balances	**35,439**	35,719

	31st December 2014 D'000	31st December 2013 D'000
Treasury Bills placements with Central Bank	**165,578**	70,000
Investments with commercial banks	**109,436**	85,311
Total Investments/placements with Banks	**275,014**	155,311

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 from 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 2014

Company's rating	Loan balance due from customers (%)	Impairment provision (%)
Investment	78	33
Standard	9	6
Sub-standard	9	22
Doubtful loans	3	20
Loss Loans	1	19
Total	100	100

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

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 2014

	Express	Micro	SME	Personal	Standard Group Loans	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	55	1,961	67,988	15,389	18,008	103,401

31st December 2013

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

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 2014

	Express	Micro	SME	Personal	Standard Group Loans	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	8	427	22,423	541	35,170	58,567

31st December 2013

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

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

31st December 2014

	Express	Micro	SME	Personal	Standard Group Loan	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	G'000
Total	115	1,136	25,763	5,716	0	32,730

31st December 2013

	Express	Micro	SME	Personal	Standard Group Loan	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	177	681	9,792	33	-	10,683

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 2014 D'000	31st December 2013 D'000
Loan Portfolio	**144,597**	74,077
Renegotiated loans	**4,238**	4,275
Renegotiated loans as a % of loan portfolio	**2.9**	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 2014 D'000	31st December 2013 D'000
Agriculture	**20,241**	10,317
Cottage Industries	**571**	3,080
Trading	**97,794**	39,970
Transport	**1,879**	-
Construction	**349**	869
Personal loans	**21,646**	12,121
Services	**2,061**	7,720
Communication	**56**	
Total Loans and advances to customers	**144,597**	74,077

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 2014 D'000	31st December 2013 D'000
Banjul	**6,689**	2,019
Kanifing	**71,355**	48,731
West Coast	**32,172**	4,113
North Bank	**29,596**	16,539
Lower River	**409**	342
Central River	**1,677**	1,424
Upper River	**2,699**	909
Total Loans and advances to customers	**144,597**	74,077

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:

	2014	2013
At 31 December	78%	79%
Average for the period	79%	78%
Maximum for the period	83%	91%
Minimum for the period	75%	68%
Minimum statutory requirement	**45%**	**45%**

31st December 2014

	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	51,775				51,775
Treasury bills	110,998	22,080	32,500	-	165,578
Placements with banks	35,291	66,915	7,220	-	109,426
Loans to customers	24,193	62,368	31,914	26,122	144,597
Total Financial Assets	**222,257**	**151,363**	**71,634**	**26,122**	**471,376**
Financial Liabilities					
Deposits from customers	66,947	41,976	203,345	21,187	333,455
Borrowed funds	-	-	-	20,068	20,068
Total Financial Liabilities	**66,947**	**41,976**	**203,345**	**41,255**	**351,680**
Liquidity Gap	**155,310**	**109,387**	**(131,711)**	**(15,133)**	**117,853**

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

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.

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 2014

	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	110,998	22,080	32,500	-	165,578
Placements with banks	35,291	66,915	7,220	-	109,426
Loans to customers	24,193	62,368	31,914	26,122	144,597
Total Financial Assets	**170,482**	**151,363**	**71,634**	**26,122**	**419,601**

Financial Liabilities					
Deposits from customers	66,947	41,976	203,345	21,187	333,455
Borrowed funds	-	-	-	20,068	20,068
Total Financial Liabilities	**66,947**	**41,976**	**203,345**	**41,255**	**353,523**
Interest rate sensitivity Gap	**103,535**	**109,387**	**(131,711)**	**(15,133)**	**66,078**

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	68,845	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)

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 2014 D'000	31st December 2013 D'000
Tier 1 capital		
Ordinary share capital	**62,004**	62,004
Capital Reserve	**15,059**	8,171
Retained earnings	**4,316**	(16,347**)**
	81,379	53,828
Total Risk-weighted assets	**313,282**	199,068
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**26%**	27%

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 2014 D'000	31st December 2013 D'000
Loans	**26,740**	20,282
Investments	**36,298**	14,980
	63,038	35,262

6. Interest expense

Savings	**6,026**	5,314
Time deposits	**1,762**	2,220
Bank Overdraft	**9,575**	3,375
Long term borrowing	**1,082**	805
	18,445	11,714

7. Fees & Commission Income

	31st December 2014 D'000	31st December 2013 D'000
Remittances	**11,197**	8,977
Loans	**4,168**	3,535
Other	**3,353**	3,275
	18,718	15,787

8. Grant Income

AECF (See note 8.a. below)	**5,333**	5,333
Gambia Growth and Competitiveness Project (GGCP) (note 8.b.)	-	736
Social Development Fund Grant (Note 21.(b)	**146**	**-**
	5,479	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 2014	31st December 2013
Executive directors	**2**	2
Management staff	**7**	5
General staff	**138**	117
	147	124

The aggregate payroll costs of these persons were as follows:

	31st December 2014 D'000	31st December 2013 D'000
Wages and salaries	**6,745**	5,766
Allowances including bonuses	**9,525**	8,347
Other staff costs	**11,137**	6,122
	27,407	20,235

10. Profit before taxation

	31st December 2014 D'000	31st December 2013 D'000
The profit before taxation is stated after: *Charging:*		
Directors' remuneration	**1,731**	638
Audit fees	**300**	300

11. Income tax expense

	31st December 2014 D'000	31st December 2013 D'000
Company tax provision (based on 1.5% of total revenue (2013:1.5% of total revenue)	**1,923**	1,350

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. Earnings per share

Basic Earnings per share

The calculation of basic earnings per share at 31 December 2014 is based on the profit attributable to ordinary shareholders of D27.551million (2013: 20.196million) and a weighted average number of ordinary shares outstanding of 62million calculated as follows:

Profit attributable to ordinary shareholders

	31st December 2014 D'000	31st December 2013 D'000
Net profit for the year attributable to equity holders of the Company	**27,551**	20,196
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**50,976,041**	50,976,041
Weighted average number of ordinary shares 31 December	**50,976,041**	50,976,041

13. Dividend per share

At the annual General meeting to be held in May 2015, the directors will propose a dividend payment to the shareholders in respect of the year ended 31st December 2014 of D0.04bututs per ordinary share.

Payment of dividend is subject to withholding tax at the rate of 15% for resident and non- resident shareholders.

14. Cash and local bank balances

Cash (note 12a)	**16,336**	15,478
Balances with local banks (note 12b)	**35,439**	35,719
	51,775	51,197
Due to local banks	**(91,514)**	(5,807)
Treasury bills (note 13)	**160,359**	66,787
Placements with banks (note 14)	**105,987**	82,624
Cash and cash equivalents in the statement of cash flow	**226,607**	194,801

14a. Cash

Cash	**12,258**	13,651
Outward clearing	**4,078**	1,827
	16,336	15,478

14b. Local bank balances

Balance with Central Bank of The Gambia	**15,821**	11,227
Balance with local banks	**19,618**	24,492
	35,439	35,719

15. Treasury bills

	31st December 2014 D'000	31st December 2013 D'000
Treasury bills at maturity value	**165,578**	70,000
Interest unearned	**(5,219)**	(3,213)

	160,359	66,787

16. Placements with banks

Placements with Banks at maturity value	**109,436**	85,311
Interest unearned	**(3,449)**	(2,687)
	105,987	82,624

17. Loans

SME Loan	**73,602**	46,325
Micro Enterprises	**3,822**	2,430
Express	**-**	387
Agriculture	**19,825**	10,220
Standard group	**18,123**	-
Others	**29,225**	14,715
Gross loans	**144,597**	74,077
Less:		
Specific provision for bad debts	**(11,295)**	(2,814)
General provision for bad debts	**(1,076)**	(613)
Interest in suspense	**(590)**	(580)
Net Loans	**131,636**	70,070

18. Other assets

	31st December 2014 D'000	31st December 2013 D'000
Receivables	**34,574**	26,131
Prepayments	**4,784**	2,864
	39,358	28,995

19. 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	5,446	22,356	11,428	314	11,502	51,046
Additions	498	8,882	875	64	1,275	11,594
Write offs	-	(1,303)	-	-	(1,886)	(3,189)
At 31st Dec 2014	**5,944**	**29,935**	**12,303**	**378**	**10,891**	**59,451**
Depreciation						
At 1st January	-	11,702	2,194	77	3,348	17,321
Charge for the year	-	3,626	2,825	73	299	6,823
Write offs	-	(1,303)	-	-	(1,886)	(3,189)
At 31st Dec 2014	**-**	**14,025**	**5,019**	**150**	**1,761**	**20,955**
Net book value						
At 31st December 2014	**5,944**	**15,910**	**7,284**	**228**	**9,130**	**38,496**
At 31st December 2013	5,446	10,654	9,234	237	8,154	33,725

Work in progress represents the amount so far spent on the acquisition of land.

20. Intangible assets

	31st December 2014 D'000	31st December 2013 D'000
Purchased software	**15,920**	-
Amortisation charge for the year	**265**	-
Carrying amount	**15,655**	-

21. Customer deposits

	31st December 2014 D'000	31st December 2013 D'000
Savings	**311,968**	228,402
Fixed deposit accounts	**21,487**	19,123
	333,455	247,525

22. Other payables

Accruals	**4,842**	1,119
Interest payable to depositors	**3,317**	1,336
Employees' Social Security Contribution	-	79
Employees' Income Tax	**326**	273
Due to Money Transfer Organisations	**5,683**	1,327
	14,168	4,134

23. Deferred Income

23.(a) AECF Non Repayable Grant

	31st December 2014		31st December 2013	
	USD '000	**GMD '000**	USD '000	GMD '000
Balance brought forward	**167**	**6,677**	-	-
Disbursement received during the year	**-**	-	300	11,026
Transfered to Income Statement	**(133)**	**(5,333)**	(133)	(5,333)
Translation difference	**-**	**-**	-	984
Deferred Income	**34**	**1,344**	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 1,344 million represents the unrecognized portion of the non repayable grant of USD 34 as at the end of the year.

23.(b) SDF Capital Grant

	31st December 2014 D'000	31st December 2013 D'000
Amount received during the year	**875**	-
Amount transfered to Income statement	**146**	-
Deferred income	**729**	-

This refers to the grant of five motor cycles received from the Social Development Fund (SDF) during the year to the tune of GMD875, 000.00 which was capitalised and now being amortised to income over the life the motor cycles based on the depreciation charge for the period.

24. Long term loans

	31st December 2014 D'000	31st December 2013 D'000
SDF- EPMDP-1	**-**	3,040
SDF – EPMDP-2	**9,394**	10,000
AECF Repayable Grant	**13,662**	5,492
	23,056	15,492
Less: Repayments during the year	**(2,988)**	(3,646)
Outstanding balance due	**20,068**	14,886
Payable as follows:		
Less than 2 years	**6,406**	6,428
Between 2 and 5 years	**13,662**	8,458
Outstanding balance due	**20,068**	14,886

24.a. Entrepreneurship Promotion and Microfinance Development Project (EPMDP)

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.

24.b. 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 GMD13, 662,000 relates to the repayable grant.

AECF Repayable Loan

	31st December 2014		31st December 2013	
	USD '000	**GMD '000**	USD '000	GMD '000
Disbursement received during the year	**145**	**5,492**	145	5,769
Repayments during the year	**182**	**7,184**	-	**-**
Translation difference		**986**	-	(277)
Outstanding Balance	**327**	**13,662**	145	5,492

25. Share Capital

The total number of authorised ordinary shares as at 31st December 2014 was D90 million ordinary shares with a par value of D1.00 per share (2013: 90 million ordinary shares with a par value of D 1 each).

26. Increase in operating assets

	31st December 2013 D'000	31st December 2013 D'000
Funds advanced to customers	**(61,566)**	(10,515)
Other assets	**(10,363)**	(4,956)
	(71,929)	(15,471)

27. Increase in operating liabilities

Deposits from customers	**85,930**	41,482
Other payables	**10,034**	(30,695)
	95,964	10,787

28. Contingent liabilities

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

29. Capital commitments

Authorised by the Board and contracted for	**3,566**	**9,973**
Authorised by the Board but not contracted for	**-**	-

30. Related party transactions

Compensation of Senior Management:

	31st December 2014 D'000	31st December 2013 D'000
Salaries and allowances	**5,337**	3,779
Pension Contributions	**125**	186
Other benefits	**907**	1,520
	6,369	5,485

The following are loan balances due to related party:

Directors, officers and other employees

Directors	**2,225**	2,903
Officers and other employees	**3,944**	3,862
	6,169	6,765

Legal fees	**550**	656
Head office rent	**883**	906

Accountants &
business advisers

Notes (forming part of the financial statements) continued

31. Value Added Statement

for the year ended 31st December 2014

	31st December 2014 D'000	31st December 2013 D'000
Interest earned and Other Operating Income	**127,155**	85,335
Direct cost of Services	**(59,058)**	(43,046)
Value Added by Banking Services	**68,097**	42,289
Non Banking Income	**6,560**	7,239
Impairments	**(8,957)**	(1,195)
Value Added	**65,700**	48,333
Distributed as follows:		
To Employees:-		
Directors (excluding Executives)	**1,731**	638
Executive Directors	**2,225**	2,315
Other Employees	**25,182**	17,920
To Government:-		
Income Tax	**1,923**	1,350
To Capital Providers:-		
Dividend to shareholders	**-**	-
To Expansion and Growth:-		
Depreciation and amortisation	**7,088**	5,914
Retained earnings	**27,551**	20,196

Supplementary Information

1.1 General and administration cost

	31st December 2014 D'000	31st December 2013 D'000
Finance cost and charges	**2,106**	1,236
Printing and stationery cost	**2,725**	2,304
Communications costs	**1,916**	1,614
Equipment maintenance expenses	**574**	580
Transport and travel costs	**6,665**	4,263
Business promotion costs	**2,747**	3,553
Professional fees	**7,863**	5,152
Other costs	**6,174**	3,005
	30,770	21,707

1.2 Premises cost

Office rent	**4,337**	3,489
Electricity expenses	**2,746**	2,701
Cleaning	**773**	712
Rates and taxes	**625**	702
Security costs	**1,839**	1,656
Property insurance	**134**	78
Property maintenance	**1,120**	925
	11,574	10,263