Reliance Financial Services Company Limited

Annual Report
and Financial Statements

for the year ended 31st December 2017

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Financial Highlights

	2017	2016	2015	Increase/ Decrease
	D'000	D'000	D'000	2017 vs 2016
Financial Structure				
Capital to Asset Ratio (at least 16%)	**24%**	32%	30%	-8%
Debt/ Equity Ratio (Times)	**7**	6	4	
Liquid assets to deposit ratio (between 15% and 45%)	**85%**	54%	40%	31%
Deposits to loans	**436%**	395%	248%	41%
Deposits to total assets	**80%**	75%	70%	5%
Gross loans Portfolio to Total Assets	**21%**	19%	28%	2%
Outreach Indicators				
Total Number of Borrowers	**26,912**	17,180	12194	57%
Number of Active borrowers	**26,168**	16,908	11973	54%
Total Value of loans disbursed (GMD'000)	**280,941**	188,415	197009	49%
Average Size of Loans Disbursed (GMD'000)	**10**	11	16	-31%
Gross Loan Portfolio outstanding (GMD'000)	**150,844**	121,326	152,928	24%
Average Loan balance per borrower (GMD'000)	**7**	48	26	-85%
Voluntary Savings (GMD'000)	**573,306**	411,126	379,942	39%
Number of Branches and Kiosks	**19**	21	23	-9%
Range of Loan Sizes (GMD'000)	**1-1,500**	1-1,500	1-1,500	-
Financial Performance				
Operational Self-sufficiency	**109%**	165%	105%	-56%
Financial Revenue Ratio	**51%**	45%	58%	6%
Yield on gross Portfolio (Nominal)	**28%**	35%	23%	-7%
Loan Loss Provision Expense Ratio	**-1%**	24%	2%	-23%
Administrative Expense Ratio	**32%%**	40%	39%	-8%
Efficiency & productivity				
Operating Expense/ Loan Portfolio	**65%**	97%	61%	-32%
Personnel expense/ Loan Portfolio	**26%**	37%	20%	-11%
Cost per borrower (GMD'000)	**30**	7	11	32%
Borrowers per staff member	**134**	15	28	793%
Borrowers per loan officer	**415**	53	172	683%
Voluntary savers per staff member	**3**	630	286	-99%
Risk and liquidity				
Portfolio at Risk > 30 Days	**11%**	24%	29%	-5%
Portfolio at Risk > 90 Days	**11%**	20%	28%	-9%
Risk Coverage	**30%**	27%	8. 39%	3%
Non – earning liquid assets as % Total Assets	**13%**	16%	22%	-3%
Macro Economic Indicators				
Inflation Rate	**7.40%**	7.50%	6.70%	-0.10%
Exchange Rate (Customs Valuation) GMD/USD	**48**	41.99	39.63	6.01%
GDP Growth Rate	**3.70%**	4.68%	4.70%	-0.02%

GDP Per Capita (USD)	**500**	476	610	-22%

General Information

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

Secretary Mrs. Mariam Jaye-Sowe (appointed 1st April 2016)

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
8 Ecowas Avenue
Banjul

Guaranty Trust Bank Limited
56 Kairaba Avenue
KMC

Access Bank Limited
47 Kairaba Avenue
KMC

First International Bank Limited
2 Kairaba Avenue
KMC

EcoBank Limited
42 Kairaba Avenue
KMC

MegaBank Gambia Limited
11 AU Liberation Avenue
Banjul

Arab Gambian Islamic Bank Limited
Becca Plaza
Ecowas Avenue
Banjul

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

Auditors

DT Associates
Audit, Tax and Advisory
Bertil Harding Highway
Kololi
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, I present to you, once again the financial statements for the year ended 31st December 2017. The financial year just ended marks the second period into the implementation of our five (5) year strategic business plan 2016 to 2020. The uncertainties of the previous year arising from the elections and the major changes to the macro-economic factors during the year compelled us to review and adapt our strategies to respond positively to the threats and opportunities in the financial industry.

In October 2017, the company deployed a new core banking system known as Bank1One to replace Bankers Realm including the Internet Version which has been used since inception. The system is certified by the Central Bank of Nigeria and currently being used by over 300 licensed and regulated financial institutions in Nigeria. It is envisaged that Bank1One will enable the company to enhance its fee generating income lines, add to the service delivery channels, enhance the Management Information System (MIS) and improve the overall internal controls environment.

The new organisation design and structure has been embedded across the company and the businesses and support functions have all adapted. As a company we are now closer to our customers in our target market segments and hence more responsive to their needs. We have also successfully re-balanced our businesses with our typical microfinance business now accounting for a larger proportion of our income from loans relative to the SMEs as well as Remittances and Foreign exchange. This new focus has resulted in a significant improvement in the portfolio quality of our loan book in comparison to the previous years.

Economic environment

The economy was in recovery mode following the sharp growth slowdown in 2016, which stemmed from a bad harvest, foreign exchange scarcity, and a decline in tourism due to the political turmoil after the presidential elections in December 2016. Economic grew by 3% in 2017 compared to 2.2% in 2016 driven mainly by a strong rebound in tourism and trade, and renewed interest from foreign direct investors in energy, tourism, agriculture and transportation. Inflation has reversed its rising trend, reflecting the stabilization of the Dalasi and a gradual decrease in food prices. With much improved fiscal discipline and external financial support, the Dalasi has remained stable since April and international reserves recovered strongly. Interest rates have declined sharply during the year under review with the treasury bill benchmark rates for 91 days, 1812 days and 364 days recording 13.67%, 16.25% and 17.71% in December 2017 compared to 5.03%, 5.52% and 6.73% in December 2017. The monetary policy rate also declined from 22% to 15% by December 2017 prompting many of the commercial banks to revised their prime lending rates to averages of 18%.

Financial performance

The company recorded a profit of GMD8.6 million for the year under review compared to a loss of GMD9.9 million the previous year. Total revenues declined from GMD117.6 million in 2016 to GMD106.9 million in 2017 explained mainly by the decline in treasury bill rates and margin compression on the exchange rates coupled with the grant income which expired in 2016. Operating costs were contained despite inflationary pressures to reflect the challenges in the business environment to achieve a reduction of GMD7.9 million or 8% YoY.

Total assets of the company increased significantly from GMD542 million to GMD715 million representing 32%. Total earning assets during the year improved from 70% to 75% in 2017. Customer deposits grew by GMD162 million from GMD411 million in 2016 to GMD573 million an increase of 39%. Shareholders' funds increased from GMD75.7 million to GMD84.1 million during the year under review and earning per share stood at GMD0.17.

Dividend

The company's dividend policy continues to be guided by striking the right balance between maximizing shareholder value and the need to strengthen the company's financial position to fund investments for future business growth. Accordingly the Board is recommending the payment of dividend of GMD0.04 per share.

Outlook

The economic is projected to grow by 3.8% in 2018 and to gradually accelerate to about 5% by 2020, assuming continued good policy implementation and a significant expansion in electricity supply, expansion of irrigation and commercial farming, investment in the tourism and trade sectors, and continued infrastructure investment. Headline inflation is expected to decline to slightly below the Central Bank of The Gambia's 5% target in the medium term.

The stability of the financial sector could be challenged in 2018 and beyond in light of the decline in interest rates. Promoting credit information systems and financial literacy as well as strengthening creditor rights and their enforcement would help support private credit growth. These challenges present opportunities for our company by leveraging the credit reference bureau as well as the collateral registry for our micro and small business segments whereas the group solidarity lending continues to be resilient with repayment rates. In the deployment of the new core banking system Bank1One also opens up new avenues for fee generating income from the digital finance segments of our business as well as cost rationalization opportunities following automation of processes and procedures in customer service delivery.

Acknowledgements

I will like to thank the shareholders for their confidence in the Board of Directors to continue to steer the affairs of the Company. My fellow directors on the Board deserve special commendation for their dedication and courage in always putting the interest of the Company first in all their deliberations and ultimately their decisions and actions. May I also thank the Central Bank of The Gambia for their continued support, cooperation and valuable advices to the Board and Management of the Company. To the Management, staff and most importantly the customers of the Company I say a very big thank you for choosing Reliance as your employer and financial service provider changing lives.

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 2017. The financial performance in 2017 did not reflect the results explained mainly the external factors mainly the decline in interest rates. Notwithstanding, the company reported a profit after tax of GMD8.6 million which is a marked improvement from the loss after tax of GMD9.9 million in the previous year.

2017 performance review

In line with the strategic re-positioning of our business to re-aligned the revenue generation capacity based on the core microfinance activities, the funded income as represented by the net interest income contributed 62% of the company's total operating revenues in 2017; compared to 53% in 2016. Income from loans and investments grew by 9%; which is out-paced by the 18% increase on interest expense. Income from foreign exchange declined by 33% YoY explained mainly the strengthening of the Gambian Dalasi resulting in reduced margins; which was compensated by the 14% increase in fees and commissions. Despite the inflationary pressures, total operating expenses including depreciation and amortisation declined from GMD100.6 million in 2016 to GMD97.7 million explained mainly by the effective cost management strategies instituted by Management.

The total assets of the company grew by 32% from GMD542.2 million to GMD714.9 million in 2017. The risk assets as proportion of total assets increased from GMD377.5 million to GMD539.5 million; representing 70% and 75% respectively. Investments and placements with our correspondent banks and loans and advances accounted for the significant growth is assets increasing by 40% and 54% YoY respectively. Customer deposits grew by39% compared to 8% in 2016 or from GMD411 million to GMD573 million; an increase of GMD162 million. This was the major sourcing of funding 92% of operating assets (risk assets plus cash and bank balances).

The company continues to be in full compliance with all the statutory and prudential ratios. The primary capital including statutory reserves stands at GMD84.1 million against the minimum requirement of GMD50 million. The capital adequacy ratio for the year decreased to 24% from 32% in 2016 compared to the minimum of 16%. The liquidity ratio during the year averaged 85%; increased from 54% compared to the minimum of 31%. The gearing ratio as at December 201 was 6 times equity against the maximum of 10 times.

Business developments and strategic initiatives

Our strategic partnership 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) which has now been incorporated as Fund Management Company is into its penultimate year expiring in December 2018. All the activities in the work plan for the implementation of programmes are either fully completed or on scaling up phase as part of ongoing business after successful pilots. The repayment of the interest free loans of USD600,000 commenced during the year and as at the end of the period the sum of USD300,000 has been paid leaving a balance of 50% which will be completed in December 2018. The off and on-site visits by the AECF team have all confirmed that the Company is in compliance with the provisions of the agreement.

The scaling up of the Women Finance product continued during the year under review and despite the delayed start, 227 new women groups were formed with a total membership of 11,218 borrowers taking the portfolio of groups to 576 and membership to 25,682. The final disbursement of USD200,000 from Whole Planet Foundation was released during the resulting in a 100% disbursement in support of the programme in Central River Region. Like the Agency Service, the Women Finance has now been fully integrated into the Retail Finance business and delivery continues to be through the monthly banking days with the Mobile Van countrywide.

During the year, the company successfully deployed a new core banking system – Bank1One as a replacement of BR.Net. The system is cloud-based has all the functionalities needed to enable the company to take advantages of the opportunities in our target segments. In the New year, the company will migrate the delivery of agency financial services from the POS Devices to android mobile phone using "One Time Passwords" (OTP) for authentication. Implementation of the Digital Finance Strategy will be anchored on this new platform based on a comprehensive correspondent banking partnership with like-minded and technology savvy institutions.

Human Resources

We take great pride in our people, the majority of whom Reliance is their first employer after university, college and/or other tertiary institutions. Our company is built on the foundation of identifying and developing talent which often times the company struggles to retain due to the dearth of relevant training and development programmes available to the financial industry. Notwithstanding this challenge the company has remained steadfast in its tradition of continuous training and development of our most important assets. As we forge ahead, we are committed to developing performance management systems linked to rewards and compensation schemes that we envisage will contribute in improving staff retention.

Outlook

The monetary policy reforms will continue to pose challenges to the financial industry as a whole given government's determined to exercise fiscal discipline; and the strategy of the Central Bank to re-structure the country domestic debt. The sustainability of the industry is challenged as players seeks alternative and reasonably secured investments for the excess liquidity mobilised. Secondly, the availability of the large pool of deposits chasing limited creditworthy borrowers poses high credit risks and non-performing loan portfolios.

We will continue to be guided by our robust credit and lending principles and policy; focussing on our key market segments. We will continually review our strategies, structures, products and services, resources (human and capital) to ensure consistency with our risk tolerance limits and prudential and supervisory guidelines. We will continue to build and enhance our infrastructure in line with our growth ambitions leveraging on technology to drive efficiency and productivity with a stringent cost management programme. We will continually explore opportunities to promote financial inclusion and access to finance for Gambians based on innovative products and services that respond to the daily needs of our customers.

Acknowledgements

I wish to express my gratitude to all our development finance partners – AGRA / AECF, Caurie Microfinance, Whole Planet Foundation, Social Development Fund for their shared belief in the mission of Reliance in alleviating poverty using financial services as platform.

The Central Bank of the Gambia deserves our special commendation for their cooperation, professionalism and ensuring a conducive environment for the microfinance sector in general and Reliance in particular. I will like to thank our Shareholders and the Board of Directors for their continued support and confidence in my leadership. Finally, I cannot thank our employees enough for their continued hard work and dedication to the mission of the company of changing lives.

Thank you and God bless Reliance and The Gambia!

Baboucarr Khan

Managing Director

Directors' Report

The directors present their report and financial statements for the year ended 31st December 2017.

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 19 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 31st December 2017 and the date of this report.

	Number of shares held	
	2017	**2016**
Mr. Baboucarr Khan	**11,549,913**	7,533,836
Mrs. Amie N. Bensouda	**20,894,194**	12,559,522
Mr. Ebenezer Olufowose	**4,743,343**	3,616,539
Mr. Cherno S. Jallow	**8,431,050**	8,431,050
Mr. Ismaila Faal	**-**	4,554,556
	45,618,500	36,695,503

Auditors

The auditors, DT Associates 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 ……..........................2018

Independent Auditor’s Report

To the Members of Reliance Financial Services Company Limited

Date:...2018

Income Statement

for the year ended 31st December 2017

	Notes	**31st December 2017 D'000**	31st December 2016 D'000
Interest income	*5*	**86,202**	78,799
Interest expense	*6*	**(19,991)**	(16,958)
Net interest income		**66,211**	61,841
Exchange income		**22,199**	32,750
Fees and commission income	*7*	**16,368**	13,937
Grant income	8	**146**	4,146
Other revenue		**2,010**	4,937
Total operating revenue		**106,934**	117,611
Operating expenses			
Personnel cost	*9*	**(38,517)**	(38,294)
General and administration cost		**(31,551)**	(33,021)
Premise and equipment		**(15,243)**	(14,225)
Depreciation and amortisation	*19&20*	**(12,372)**	(15,022)
Total operating expenses		**(97,683)**	(100,562)
Operating Profit		**9,251**	17,049
Recovery of / (Provisions) for credit losses		**973**	(24,959)
Profit / (Loss) before taxation	*10*	**10,224**	(7,910)
Income tax expense	*11*	**(1,781)**	(2,018)
Profit / (Loss) for the year		**8,443**	(9,928)
Basic earnings per share	*12*	**0.17**	(0.19)
Diluted earnings per share		**0.17**	(0.19)

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

Reliance

Balance Sheet

as at 31st December 2017

	Notes	31st December 2017 D'000	31st December 2016 D'000
Assets			
Cash and local bank balances	*14*	**79,399**	72,753
Treasury bills	*15*	**192,538**	214,807
Placements with banks	*16*	**215,625**	81,348
Loans	*17*	**131,404**	85,121
Other assets	*18*	**35,489**	22,688
Property, plant & equipment	*19*	**54,258**	56,922
Intangible assets		**6,219**	8,614
Total assets		**714,932**	542,253
Liabilities			
Customer deposits	*21*	**573,306**	411,126
Other payables	*22*	**15,776**	9,332
Taxation		**590**	748
Deferred Income	*23(a)(b)*	**290**	437
Long term loan	*24*	**41,054**	45,127
Total liabilities		**631,016**	466,770
Equity and reserves			
Share capital	*25*	**62,004**	62,004
Statutory reserve		**18,688**	16,577
Revaluation reserve		**2,290**	-
Profit and Loss reserve		**934**	(3,098)
Total equity and reserves		**83,916**	75,483
Total equity and liabilities		**714,932**	542,253

These financial statements were approved by the board of directors on 17th March 2018 and were signed on its behalf by:

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

The attached notes form an integral part of these financial statements

Statement of changes in equity

for the year ended 31st December 2017

	Share Capital D'000	Statutory Reserve D'000	Revaluation Reserve D'000	Accumulated Profit D'000	Total D'000
Balance as at 1st January 2016	62,004	16,577	-	6,830	85,411
Loss for the year	-	-	-	(9,928)	(9,928)
Balance as at 31st December 2016	62,004	16,577	-	(3,098)	75,483
Balance as at 1st January 2017	62,004	16,577	-	(3,098)	75,483
Profit for the year	-	-	-	8,443	8,443
Transfer to reserves	-	2,111	-	(2,111)	-
Dividend paid to equity holders	-	-	-	(2,300)	(2,300)
Revaluation of property	-	-	2,290	-	2,290
Balance as at 31st December 2017	**62,004**	**18,688**	**2,290**	**934**	**83,916**

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. 2017: D2,158,000 Nil (2016: Nil) 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 2017

	Notes	31st December 2017 D'000	31st December 2016 D'000
Operating activities			
Operating Profit / (Loss)		**10,224**	(7,910)
Depreciation	*19&20*	**12,372**	15,022
(Increase) / decrease in operating assets	*26*	**(59,082)**	71,616
Increase in operating liabilities	*27*	**168,037**	33,308
Cash generated from operations		**131,551**	112,036
Company tax paid		**(1,939)**	(1,756)
Cash flows from operating activities		**129,612**	110,280
Investing activities			
Acquisition of property, plant and equipment	*19*	**(4,439)**	(22,463)
Cash flows from investing activities		**(4,439)**	(22,463)
Financing activities			
Dividend payment		**(2,300)**	-
Loan/grant received from WPF/ SDF	*23b&24*	**21,000**	18,400
AECF Repayable Grant	*24*	**(11,699)**	1,266
SDF Loan repayment	*24*	**(13,374)**	(5,295)
Transfer of SDF Grant to income	*23b*	**(146)**	(146)
Cash flows from financing activities		**(6,519)**	14,225
Net increase in cash and cash equivalent		**118,654**	102,042
Cash and cash equivalent at 1st January		**368,908**	266,866
Cash and cash equivalents at 31st December	*14*	**487,562**	368,908

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 a 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 17March 2018.

(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 chargeable profit or total revenue for the year comprises current tax and is recognised in the income statement.

f) Cash and cash equivalent

Cash and local bank balances included in the balance sheet comprises cash in hand, balances held with banks in The Gambia and banks outside The Gambia denominated in Dalasi and foreign currencies and cash balances with Central Bank of Gambia (CBG).

Cash and cash equivalents included in the cash flow statement comprises of cash and bank balances and short term investment, net of bank overdrafts.

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 made 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 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)	5 years
Motor cycles	6 years
Computer consumables	Written off in year of purchase

Building revaluation will be carried out every five years and revaluation surplus recognised in the Building assets and Revaluation Reserve accounts respectively.

(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 during the financial year in which they are incurred.

j) Provisions

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

k) Employee benefits

Obligations for contributions to the Social Security 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, i.e when the obligation specified in the contract is discharged or cancelled or expires.

p) Grant Income

Revenue grant received are recognised in the income statement on a systematic basis over the period necessary to match them with the related cost, for which they are intended to compensate whilst capital grant are recognised in the income statement over the life of the asset to which it relates.

4. Financial risk management

Introduction and overview

Reliance Financial Services has for the first time introduced a separate Risk Management Department as opposed to a Unit under Internal Audit to give more focus on the key risks areas of the business and responding promptly in a proactive and not reactive basis. 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 its overall structure, ensures that the Board of Directors has overall responsibility for the establishment and oversight of its risk management framework via its committees - Asset and Liability (ALCO) Committee and Credit and Operational Risk committee. These committees are responsible for developing and monitoring 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 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 Head, Risk Management 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 Head, Risk Management reports on all credit related matters to local management and the company's Credit Committee. The Head, Risk Management 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 2017 D'000	31st December 2016 D'000
Balances with Central Bank of The Gambia	**47,556**	30,073
Balances with local commercial banks	**31,843**	30,062
Treasury Bills placements with Central Bank	**192,538**	214,807
Investments with commercial banks	**215,625**	81,348
Loans to customers	**131,404**	85,268
Total Risk Assets	**618,966**	441,558

The above table represents a worst case scenario of credit risk exposure to the company as at 31st December 2016 and 31st December 2015 without taking account of any collateral or other credit enhancements attached.

Exposure to Regulated Financial and Public Institutions

	31st December 2017 D'000	31st December 2016 D'000
Balances with Central Bank of The Gambia	**47,556**	30,073
Balances with local commercial banks	**31,843**	30,062
Total Bank Balances	**79,399**	60,135
Treasury Bills placements with Central Bank	**192,538**	214,807
Investments with commercial banks	**215,625**	81,348

Total Investments / placements with Banks	**408,163**	296,155

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-fulfilment 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 2017

Company's rating	**Loan balance due from customers (%)**	**Impairment provision (%)**
Investment	78	7
Standard	9	1
Sub-standard	1	1
Doubtful loans	1	3
Loss Loans	11	88
Total	100	100

31st December 2016

Company's rating	**Loan balance due from customers (%)**	**Impairment provision (%)**
Investment	68	11
Standard	13	8
Sub-standard	13	32
Doubtful loans	2	7
Loss Loans	4	42
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 2017

	Express	Micro	SME	Personal	Standard Group Loans	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	**9**	**583**	**11,734**	**3,982**	**126,994**	**143,302**

31st December 2016

	Express	Micro	SME	Personal	Standard Group Loans	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Totals	8	492	36,696	6,416	50,617	94,229

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 2017

	Express	Micro	SME	Personal	Standard Group Loans	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	**3,450**	**1,507**	**7,731**	**2,246**	**52,946**	**67,880**

31st December 2016

	Express	Micro	SME	Personal	Standard Group Loans	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	1,979	323	3,581	1,877	24,622	32,382

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

31st December 2017

	Express	Micro	SME	Personal	Standard Group Loan	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	G'000
Total	**69**	**248**	**46,258**	**3,204**	**-**	**49,779**

31st December 2016

	Express	Micro	SME	Personal	Standard Group Loan	Total
No arrears	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000	GMD'000
Total	**44**	**158**	**30,003**	**1,603**	**-**	**31,808**

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 2017 D'000	31st December 2016 D'000
Loan Portfolio	**150,844**	104,002
Renegotiated loans	**4,773**	5,874
Renegotiated loans as a % of loan portfolio	**3.0**	6.0

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 2017 D'000	%	31st December 2016 D'000
Agriculture	**10**	**14,405**	21	21,736
Trading	**84.5**	**128,293**	66	68,334
Transport	**0.1**	**198**	4	4,082
Construction	**0.3**	**465**	-	589
Personal loans	**5**	**7,283**	6	6,447
Services	**0.1**	**200**	3	2,814
Total Loans and advances to customers	**100**	**150,844**	100	104,002

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) are approved by the Board.

Geographic risk concentrations

	%	31st December 2017 D'000	%	31st December 2016 D'000
Banjul	**1**	**1,508**	3	3,846
Kanifing	**68**	**102,573**	66	68,948
West Coast	**10**	**15,084**	9	8,876
North Bank	**13**	**19,610**	19	19,522
Lower River	**2**	**3,016**	-	142
Central River	**4**	**6,037**	2	1,727
Upper River	**2**	**3,016**	1	941
Total Loans and advances to customers	**100**	**150,844**	100	104,002

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:

	31st December 2017	31st December 2016
At 31 December	**85%**	51%
Average for the period	**50%**	45%
Maximum for the period	**72%**	52%
Minimum for the period	**36%**	34%
Minimum statutory requirement	**30%**	30%

31st December 2017

	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	79,399				79,399
Treasury bills	37,000	-	145,538	10,000	192,538
Placements with banks	107,498	-	108,127	-	215,625
Loans to customers	85,814	46,191	8,857	9,982	150,844
Total Financial Assets	**309,711**	**46,191**	**262,522**	**19,982**	**638,406**
Financial Liabilities					
Deposits from customers	540,236	-	33,070		573,306
Borrowed funds	-	-	19,654	21,400	41,054
Total Financial Liabilities	**540,236**	**-**	**52,724**	**21,400**	**614,360**
Liquidity Gap	**(230,525)**	**46,191**	**209,798**	**(1,418)**	**24,046**

31st December 2016

	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	72,753	-	-	-	72,753
Treasury bills	26,000	12,000	190,473	-	228,473
Placements with banks	25,043	7,985	51,600	-	84,628
Loans to customers	14,281	63,600	17,209	8,912	104,002
Total Financial Assets	138,077	83,585	259,282	8,912	489,856

Financial Liabilities

Deposits from customers	102,186	96,544	173,779	38,617	411,126
Borrowed funds	-	-	16,046	29,079	45,128
Total Financial Liabilities	102,186	96,544	189,825	67,696	456,254
Liquidity Gap	35,890	(12,959)	69,457	(58,784)	33,602

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 2017

	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	79,399				79,399
Treasury bills	37,000	-	145,538	10,000	192,538
Placements with banks	107,498	-	108,127	-	215,625
Loans to customers	85,814	46,191	8,857	9,982	150,844
Total Financial Assets	**309,711**	**46,191**	**262,522**	**19,982**	**638,406**
Financial Liabilities					
Deposits from customers	540,236	-	33,070		573,306
Borrowed funds	-	-	19,654	21,400	41,054
Total Financial Liabilities	**540,236**	**-**	**52,724**	**21,400**	**614,360**
Interest rate sensitivity Gap	**(230,525)**	**46,191**	**209,798**	**(1,418)**	**24,046**

31st December 2016

	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	72,753	-	-	**-**	72,753
Treasury bills	26,000	12,000	190,473	-	228,473
Placements with banks	25,043	7,985	51,600	-	84,628
Loans to customers	14,281	63,600	17,209	8,912	104,002
Total Financial Assets	**138,077**	**83,585**	**259,282**	**8,912**	**489,856**
Financial Liabilities					
Deposits from customers	102,186	96,544	173,779	38,617	411,126
Borrowed funds	-	-	16,046	29,079	45,128
Total Financial Liabilities	**102,186**	**96,544**	**189,825**	**67,696**	**456,254**
Interest rate sensitivity Gap	**35,890**	**(12,959)**	**69,457**	**(58,784)**	**33,602**

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 remittance 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;
- requirements for 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
- review 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 monitor 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 ratio 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 31st December was as follows:

	31st December 2017 D'000	31st December 2016 D'000
Tier 1 capital		
Ordinary share capital	**62,004**	62,004
Capital Reserve	**18,735**	16,577
Retained earnings	**3,377**	(3,098)
	84,116	75,483
Total Risk-weighted assets	**346,455**	238,103
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	**24%**	32%

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 2017 D'000	31st December 2016 D'000
Loans	**41,747**	36,299
Investments	**44,455**	42,500
	86,202	78,799

6. Interest expense

Savings	**11,681**	11,100
Time deposits	**5,321**	3,661
Bank Overdraft	**2,003**	1,720
Long term borrowing	**986**	477
	19,991	16,958

7. Fees & Commission Income

	31st December 2017 D'000	31st December 2016 D'000
Remittances	**7,276**	4,622
Loans	**5,361**	2,428
Other	**3,731**	6,887
	16,368	13,937

8. Grant Income

AECF (See note 8.a. below)	**-**	4,000
Social Development Fund Grant (Note 23(b)	**146**	146
	146	4,146

8.a. AECF Grant Income

This represents an amount of USD 100,000.00 of the total non-repayable grant recognised in the Income Statement as the final instalment of the total AECF grant of USD 400,000.00.

8.b. SDF Grant Income

This represents a grant of five motor cycles received from Social Development Fund (SDF) in 2014 with a value of D 875,000 which was capitalised and recognised in the income statement over the life of the asset (six years) based on the depreciation charge for the year.

9. Staff numbers and cost

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

Executive directors	**1**	2
Management staff	**7**	7
General staff	**188**	173
	196	182

The aggregate payroll costs of these persons were as follows:

	31st December 2017 D'000	31st December 2016 D'000
Wages and salaries	**18,230**	17,505
Allowances including bonuses	**13,278**	12,393
Other staff costs	**7,009**	8,396
	38,517	38,294

10. Profit before taxation

The profit before taxation is stated after:
Charging:

Directors' remuneration	**1,564**	1,271
Audit fees	**471**	300

	31st December 2017 D'000	31st December 2016 D'000

11. Income tax expense

The charge for taxation is calculated as follows:

Company tax at 1.5 % of total revenue (2015: 1.5% of total revenue)	**1,781**	2,018
Over provision from previous years		-
	1,781	2,018

The tax on the company's total revenue agrees with the effective tax rate of the company as follows:

Total revenue for the year	**118,734**	134,569
	======	======
Tax calculated at a rate of 1.5% (2015: 1.5%)	**1,781**	2,018

Reconciliation of effective tax rate

	31st December 2017 %	31st December 2016 %
Income tax using the domestic tax rate	**1.5**	1.5

12. Earnings per share

Basic Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders. The company made a Profit D 8.633 million during the year (loss of D 9.928 million in 2016) and a weighted average number of ordinary shares outstanding of D 62 million calculated as follows:

Profit attributable to ordinary shareholders

	31st December 2017 D'000	31st December 2016 D'000
Net profit / (loss) for the year attributable to equity holders of the Company	**8,633**	**(9,928)**

	31st December 2017	31st December 2016
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

The following dividends were declared and paid during the period ended:

	31st December 2017 D'000	31st December 2016 D'000
Balance at the beginning of period	2,300	-
Dividend declared	2,300	2,300
Payment during the period	(2,300)	-
	2,300	2,300

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 14a)	**14,207**	12,617
Balances with local banks (note 14b)	**65,192**	60,136
	79,399	72,753
Treasury bills (note 15)	**192,538**	214,807
Placements with banks (note 16)	**215,625**	81,348
Cash and cash equivalents in the statement of cash flow	**487,562**	368,908

	31st December 2017 D'000	31st December 2016 D'000

14a. Cash

Cash	**14,207**	12,673
Outward clearing	**-**	(56)
	14,207	12,617

	31st December 2017 D'000	31st December 2016 D'000

14b. Local bank balances

Balance with Central Bank of The Gambia	**47,556**	30,073
Balance with local banks	**17,636**	30,063
	65,192	60,136

15. Treasury bills

Treasury bills at maturity value	**192,538**	228,473
Interest unearned	**-**	(13,666)
	192,538	214,807

16. Placements with banks

Placements with Banks at maturity value	**215,625**	84,628
Interest unearned	**-**	(3,280)
	215,625	81,348

17. Loans

	31st December 2017 D'000	31st December 2016 D'000
SME Loan	**28,216**	37,553
Micro Enterprises	**2,204**	1,699
Agriculture	**15,276**	21,736
Standard group	**91,557**	26,146
Others	**13,591**	16,868
Gross loans	**150,844**	104,002
Less:		
Specific provision for bad debts	**(19,155)**	(18,183)
General provision for bad debts	**(286)**	(698)
Net Loans	**131,404**	85,121

18.Other assets

	31st December 2017 D'000	31st December 2016 D'000
Receivables	**22,017**	11,985
Due from MTOs	**8,257**	4,852
Prepayments	**5,215**	5,851
	35,489	22,688

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	21,477	27,797	19,220	265	9,092	77,851
Additions	-	4,263	-	-	2,366	6,629
Transfer	(11,800)	443	3,323	(7)	8,016	(25)
Revaluation	-	-	-	-	2,290	2,290
write offs	(106)	(410)	-	(30)	-	(546)
At 31st Dec 2017	**9,571**	**32,093**	**22,543**	**228**	**21,764**	**86,199**
Depreciation						
At 1st January	-	11,677	8,957	170	125	20,929
Charge for the year	-	6,198	2,651	21	72	8,942
Adjustment	-	351	951	32	736	2,070
At 31st Dec 2017	**-**	**18,226**	**12,559**	**223**	**933**	**31,941**
Net book value						
At 31st December 2017	**9,571**	**13,867**	**9,984**	**5**	**20,831**	**54,258**
At 31st December 2016	-	16,120	10,243	95	8,967	56,922

Work in progress represents the amount so far spent on the acquisition of land, computer and other equipment. Revaluation represents the open market value of the Reliance's Barra Branch complex which was valued by Sphinx Associates on the 23rd November 2017.

20. Intangible assets

	31st December 2017 D'000	31st December 2016 D'000
Cost	**15,920**	15,920
Additions:	**100**	-
Balance 31st December	**16,020**	15,920
Amortisation brought forward	**(7,306)**	(3,180)
Amortisation charge for the year	**(3,430)**	(4,126)
Adjustment	**935**	-
Carrying amount	**6,219**	8,614

21. Customer deposits

Savings	**540,236**	384,110
Fixed deposit accounts	**33,070**	27,016
	573,306	411,126

	31st December 2017 D'000	31st December 2016 D'000

22. Other payables

	31st December 2017 D'000	31st December 2016 D'000
Accruals	**7,966**	5,477
Interest payable to depositors	**5,338**	1,030
Employees' Income Tax	**408**	336
Due to Money Transfer Organisations	**2,064**	2,489
	15,776	9,332

23. Deferred Income

SDF Capital Grant

	31st December 2017 D'000	31st December 2016 D'000
Balance brought forward	**437**	583
Transferred to Income statement	**(146)**	(146)
Deferred income	**291**	437

24. Long term loans

	31st December 2017 D'000	31st December 2016 D'000
SDF (note 24a)	**19,683**	12,978
AECF Repayable Grant (note 24b)	**25,044**	25,044
Whole Planet Foundation (WPF) (note 24c)	**21,400**	12,400
	66,127	50,422
Less: Repayments during the year	**(25,073)**	(5,295)
Outstanding balance due	**41,054**	45,127
Payable as follows:		
Less than 1 years	**19,654**	16,047
Between 2 and 5 years	**21,400**	29,080
Outstanding balance due	**41,054**	45,127

	31st December 2017 D'000	31st December 2016 D'000
24. (a). Social Development Funds (SDF)		
Opening balance	**7,683**	2,978
Disbursement during the year	**12,000**	10,000
Less: Repayments during the year	**(13,374)**	(5,295)
Outstanding balance due	**6,309**	7,683

A supplementary loan of GMD12 million was received in two instalments of GMD9 million and GMD3 million on the 10th February 2017 for a tenor of eighteen months (18) months at an interest rate of 14% per annum computed on a reducing balance basis and repayable on a quarterly instalment basis. The purpose of the loan is for on-lending to the Women Finance product. 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)

	31st December 2017	31st December 2016
	D'000	D'000
AECF Repayable Grant	**13,345**	25,044

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 was completed in 2015.

Repayment is based on quarterly equal instalments of USD75,000.00 commencing in March in 2017 for two years..

As per the Grant Agreement signed in February 2013, Reliance's obligation is to match the above USD 1.0 million with counter-part funding of USD 1.136 million comprising of an overdraft line of USD500,000.00; Cash contribution of USD300,000.00; SDF loan of USD 200,222 and in-kind contributions of USD135,778 from January 2013 and 31st December 2015.

The balance of GMD 25,045,000 relates to the repayable grant.

AECF Repayable Loan

	31st December2017		31st December 2016	
	USD '000	**GMD '000**	USD '000	GMD '000
Opening balance	**600**	**25,044**	600	23,778
Repayment during the year	**(300)**	**(11,699)**	**-**	-
Translation difference	-	-	-	1,266
Outstanding Balance	**300**	**13,345**	600	25,044

24c Whole Planet Foundation (WPF)

	31st December 2017	31st December 2016
	D'000	D'000
At start of year	**12,400**	4,000
Disbursement during the year	**9,000**	8,400
At end of year	**21,400**	12,400

The Whole Planet Foundation, a Delaware non - Stock Corporation is located at 550 Bowie Street Austin Texas. Its mission is poverty alleviation through Micro credit in communities around the world that supply Whole Foods Market Stores with products.

In September 2015, Reliance was approved a loan of USD500,000 in in local currency for on-lending capital to support post-pilot growth of the Women Finance loan product over three years by adding 5,000 new borrowers to the Institution's Women Finance portfolio in Central River Region South.

The loan is interest free, unsecured and the final disbursement of USD200,000 was received on month 2017.

Repayment is based on the Gambian Dalasi equivalent of three instalments of USD100,000, USD200,000 and USD200,000 on January 2019, October 2019 and June 2020 respectively.

25. Share Capital

The total number of authorised ordinary shares as at 31st December 2017 was D90 million ordinary shares with a par value of D1.00 per share (2016: 90 million ordinary shares with a par value of D 1 each).

26. (Increase) / Decrease in operating assets

	31st December 2017	31st December 2016
	D'000	D'000
Funds advanced to customers	**(46,282)**	54,381
Other assets	**(12,800)**	17,235
	(59,082)	71,616

27. Increase in operating liabilities

	31st December 2017	31st December 2016
	D'000	D'000
Deposits from customers	**162,180**	31,184
Other payables	**6,445**	(17,331)
Write (back)/ offs	**(588)**	19,455
	168,037	33,308

28. Capital commitments

Authorised by the Board and contracted for	**2,604**	-
Authorised by the Board but not contracted for	**2,604**	-

29. Related party transactions

	31st December	31st December 2016
	D'000	D'000
Compensation of Senior Management:		
Salaries and allowances	**5,778**	5,115
Pension Contributions	**347**	293
Other benefits	**1,023**	742
	7,148	6,150

The following are loan and rent payments to related party:

Directors, officers and other employees

Directors	**2,659**	1,136
Officers and other employees	**4,384**	4,605
	5,948	5,741
Legal fees	**410**	495
Head office rent	**1,052**	1,335

Notes (forming part of the financial statements) continued

30. Value Added Statement

for the year ended 31st December 2017

	31st December 2017 D'000	31st December 2016 D'000
Interest earned and Other Operating Income	**124,769**	126,603
Direct cost of Services	**(65,221)**	(62,933)
Value Added from Financial Services	**59,548**	63,670
Non-Financial Services Income	**2,156**	8,732
Impairments	**973**	(25,726)
Value Added	**62,677**	46,676
Distributed as follows:		
To Employees:-		
Directors (excluding Executives)	**1,564**	1,271
Executive Directors	**1,625**	2,363
Other Employees	**34,592**	35,930
To Government:-		
Income Tax	**1,591**	2,018
To Providers of Capital		
Dividend to shareholders	**(2,300)**	-
To Expansion and Growth:-		
Depreciation and amortisation	**12,372**	15,022
Surplus / (Deficit) / Retained earnings	**8,633**	(9,928)

Supplementary Information

1.1 General and administration cost

	31st December 2017	31st December 2016
	D'000	D'000
Finance cost and charges	**-**	1,272
Printing and stationery cost	**2,704**	3,075
Communications costs	**6,123**	4,430
Equipment maintenance expenses	**539**	587
Transport and travel costs	**7,230**	6,112
Business promotion costs	**2,908**	2,836
Professional fees	**4,803**	3,389
Other costs	**7,244**	11,320
	31,551	33,021

1.2 Premises cost

Office rent	**5,726**	5,385
Electricity expenses	**3,454**	3,133
Cleaning	**565**	895
Rates and taxes	**894**	764
Security costs	**2,872**	2,820
Property insurance	**123**	73
Property maintenance	**1,609**	1,155
	15,243	14,225