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**Reliance Financial Services Company Limited**

**Annual Report  
and Financial Statements**

for the year ended 31 December 2010



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## Financial Highlights

	2010 D'000	2009 D'000	2008 D'000	Increase/ (Decrease) 10 vs 09
<b>Financial Structure</b>				
Capital to Asset Ratio (at least 16%)	9%	-3.1%	15%	12.1%
Debt/ Equity Ratio (Times)	N/A	-0.01	0.01	-
Liquid assets to deposit ratio (between 15% and 40%)	44.1%	28.7%	30%	53.7%
Deposits to loans	215%	216%	187%	-1%
Deposits to total assets	91%	99%	81%	-8%
Gross loans Portfolio to Total Assets	48%	53%	43%	-5%
<b>Outreach Indicators</b>				
Total Number of Borrowers	1,850	3,958	2,895	-2,108
Number of Active borrowers	1,803	3,480	2,595	-1,677
Total Value of loans disbursed (GMD'000)	137,085	85,633	216,891	51,452
Average Size of Loans Disbursed (GMD'000)	53	21	20	32
Gross Loan Portfolio outstanding (GMD'000)	81,674	76,198	63,081	5,476
Average Loan balance per borrower (GMD'000)	44	22	24	22
Voluntary Savings (GMD'000)	155,273	142,125	115,057	13,148
Number of voluntary savings accounts	51,747	39,403	24,107	12,344
Average savings balance per saver (GMD'000)	3.0	3.6	4.8	0.6
Number of Branches and Kiosks	21	20	27	1
Range of Loan Sizes (GMD'000)	2-200	2-1,500	2-1,500	500
<b>Financial Performance</b>				
Operational Self-sufficiency	119%	40%	63%	79%
Financial Revenue Ratio	56%	27%	23%	29%
Yield on gross Portfolio (Nominal)	35%	26%	23%	9%
Loan Loss Provision Expense Ratio	11%	4.97%	1.04%	5.03%
Administrative Expense Ratio	7%	12%	17%	-5%



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	<b>2010</b>	2009	2008	<b>Increase/ (Decrease)</b>
	<b>D'000</b>	D'000	D'000	<b>10 vs 09</b>
<b>Efficiency &amp; productivity</b>				
Operating Expense/ Loan Portfolio	<b>56%</b>	75%	69%	-19%
Personnel expense/ Loan Portfolio	<b>21%</b>	27%	30%	6%
Cost per borrower (GMD'000)	<b>22</b>	14	17	8
Borrowers per staff member	<b>17</b>	41	21	-24
Borrowers per loan officer	<b>60</b>	97	118	-37
Voluntary savers per staff member	<b>484</b>	464	198	20
<b>Risk and liquidity</b>				
Portfolio at Risk > 30 Days	<b>22%</b>	28%	15%	-6%
Portfolio at Risk > 90 Days	<b>12%</b>	23%	5.30%	-11%
Risk Coverage	<b>27.7%</b>	14.8%	14.79%	12.9%
Non – earning liquid assets as % Total Assets	<b>8.1%</b>	8.76%	8.75%	-.66%
<b>Macro Economic Indicators</b>				
Inflation Rate	<b>4.0%</b>	3.0%	6.6%	1.0%
Exchange Rate (Customs Valuation) GMD/USD	<b>27.4</b>	26.83	26.88	0.57
GDP Growth Rate	<b>4.3%</b>	5%	6.1%	0.7%
GDP Per Capita (USD)	<b>479</b>	315	300	164



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## General Information

<b>Directors</b>	Mrs. Amie N. D. Bensouda Mr. Baboucarr Khan Mr. Ebenezer Olufowose Mr. Ismaila Faal Mr. Chernon S. Jallow	<i>Chairperson</i> <i>Managing Director</i> <i>Non-Executive Director</i> <i>Executive Director</i> <i>Non-Executive Director</i>
<b>Secretary</b>		Mr. Seedy A.B Njie
<b>Bankers</b>		Trust Bank Limited 3/4 Ecowas Avenue Banjul  Standard Chartered Bank (Gambia) Limited Ecowas Avenue Banjul  Guaranty Trust Bank Limited 56 Kairaba Avenue KMC  Access Bank Limited 47 Kairaba Avenue KMC  First International Bank Limited Kairaba Avenue KMC  EcoBank Limited Kairaba Avenue KMC  Bank PHB 11 Liberation Avenue Banjul
<b>Auditors</b>		PKF Accountants and business advisers 3/4 Ecowas Avenue Banjul The Gambia



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**Solicitors**

Amie Bensouda & Co.  
78 Hagan Street  
Banjul  
The Gambia

**Registered Office**

Reliance Plaza  
46 Kairaba Avenue  
KSMD  
The Gambia



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## Chairperson's statement

It gives me pleasure to present to you the annual report and audited financial statements of Reliance Financial Services Company Limited for the year ended 31<sup>st</sup> December 2010. The year 2010 was indeed a very challenging year for the financial services industry. Reliance Financial Services however recorded its first profits since its inception in 2006.

### The Operating Environment and Financial performance

The number of commercial banks at the beginning of 2010 was 13 while the Non-Bank Financial Institutions were 4. Zenith Bank was licensed during the year taking the number to 14. By the end of the year there were 13 commercial banks following the voluntary liquidation of Oceanic Bank for non-compliance with the increased primary capital of GMD150 million as a result of the parent's change of licence from a Universal Banking Licence to a National Commercial Banking Licence in Nigeria which meant they could no longer operate subsidiaries abroad. Within the NBFIs the number reduced from 4 to 3 due to the compulsorily winding down of Gamstar Financial Services by the Central Bank of The Gambia in June. The year also witnessed further expansion in the outlets operated by Foreign Exchange Bureaus while the number of bank branches was scaled down compared to last year. The proliferation of remittances outlets through sub-agencies continued unabated.

Against this backdrop, Reliance's strategy was one of continuation and full completion of our restructuring and turnaround program which was instituted in the last quarter of 2009. Additionally, Reliance was operating below the minimum primary capital requirement and needed to raise additional capital to ensure compliance as required of all NBFIs based on the Central Bank directive. A rights issue was made to the existing local shareholders through which GMD12.8 million was raised to fund the primary capital requirements. Furthermore, ShoreCap International Ltd, one of the international shareholders could not take up their rights issue due to closure of their Fund that originally invested in Reliance Financial Services while the new Fund was not yet operational. Stichting Triodos Doen the other international shareholder expressed willingness to invest. However, this would have resulted in an equity ownership that would far exceed their maximum threshold. As both of these investors require a minimum threshold in terms of equity participation which under the current capital raise could not be guaranteed, and after obtaining the necessary approvals from the Central Bank, both of these international investors agreed to divest their total investments in Reliance to the local shareholders.

Reliance Financial Services despite the intense competition in the financial services sector generally was able to deliver impressive financial performance across all key indicators as follows:

1. Balance sheet grew by 20% from GMD142.8 million in 2009 to GMD170.9 million in 2010;
2. Customer deposits grew from GMD142.1 million in 2009 to GMD155.3 million in 2010; an increase of 9.3%;
3. The outstanding loans advanced to customers net of provisions grew by 10.6% from GMD65.4 million to GMD72.3 million.
4. Shareholders funds increased from a negative GMD4.4 million in 2009 to GMD11.6 million in 2010; representing an increase of 364%;
5. Total operating income grew by 24% while operating costs declined by 16% resulting in an operating profit of GMD1.3 million before net recoveries of GMD1.9 million.



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## Corporate governance

I wish to place on record our appreciation of the contributions of Mr. Jacco Minnaar who has been serving as director representing Sticting Triodos Doen since inception of Reliance Financial Services but had to resign from the Board due to their divestment. Similarly, we wish to thank Mr. Kenny Nwosu for his services as director representing ShoreCap International Ltd and had to resign from the Board for same reasons as Mr. Minnaar. Your knowledge, dedication and representation at the Board of Reliance will surely be missed. I take this opportunity to welcome Messrs. Alhagie Cherno Jallow, Managing Director of AMC Trading and Ismaila Faal formerly Head, Business Growth and Development as directors to the Board of Reliance Financial Services. I wish to congratulate Mr. Ebenezer for his re-election as director for another term on the Board of the company.

## Outlook

2010 was one for consolidation, breakeven and stop the erosion of shareholders' capital. 2011 is about sustaining this momentum through a deepening of relationships with our existing partners while seeking new frontiers for growth and development with likeminded partners through strategic alliances that will deliver mutual results for all the stakeholders.

You can also expect a refreshing of the brand supported by robust community engagement to promote entrepreneurship and socio-economic development for the majority of the unbanked and under-banked population of The Gambia.

We strongly believe that the macro-economic environment will continue to provide us with opportunities to build and grow our business along with our customers and the communities in which we have chosen to operate.

## Acknowledgements

I wish to conclude by thanking our shareholders for their confidence in the company as demonstrated by the further injection of capital. This will provide ample evidence to our esteem customers that their financial services provider is safe, sound, stable and now on the road to sweating the assets that the company have been building in the initial start-up period. To our loyal customers, we want to re-assure you of our commitment and dedication to meeting and exceeding your expectations in the months and years to come. I also want to acknowledge my fellow board members for standing by the company during what was a very difficult period and coming up with the strategies and engaging with Management to deliver the financial performance of 2010. To Management and Staff, I say bravo for the belief, fortitude and steadfastness in making 2010 a successful year. To the Government of The Gambia and Central Bank of The Gambia for providing the conducive environment for the private sector and in particular the Microfinance practitioners to strive for the betterment of the people of The Gambia.

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



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## Managing Director's Statement

### Financial and Operating Review

It gives me great pleasure to present to you the annual report and financial statements for the year ended 31<sup>st</sup> December 2010. During the year just ended, the Company's financial performance was impressive on the face of slow economic activity, increased competition within the financial services industry, the re-capitalisation issues, the divestment by the two international shareholders all on the backdrop of a restructuring and turnaround program.

These financial results are ample demonstration of the relevance and purpose of our Company in changing the lives of the people of The Gambia socially and economically using micro-credit built on a solid savings culture and supported by remittances and retail foreign exchange under a strong control environment and governance structures.

We are pleased to report that during the year ended 31<sup>st</sup> December 2010, your Company reported a profit of GMD 3.1 million compared to a loss of GMD 22 million in 2009. While this is the first for Reliance, it is the highest ever reported by a Non Bank Financial Institution in the financial services history of The Gambia. This performance is the result of the turnaround program implemented in the period while driving a qualitative loan growth, increased remittances volumes and favourable foreign exchange spreads as well as a very efficient deposit portfolio mix and enhanced human resources productivity translating to lower operating costs.

The Company's Balance Sheet grew by GMD 28.1 million compared to 2009 due mainly to the capital injection of GMD 12.9 million and deposits mobilised of GMD13.1 million during the year. In line with our strategy of focusing on improving the overall quality of the portfolio, the loan book net of provisions increased by 10.6% relative to the previous year. The excess liquidity after funding loan disbursement was invested in placements which earned higher yields and hence the increase in short term investments from GMD28.3 million to GMD52.9 million; representing an increase of 87%.

### Branch Network

In 2009, as part of the implementation of the turnaround program, the Company suspended operations from 12 locations. Despite the fears of deposits flights, we are encouraged by the understanding shown by our clients which is evidenced in the growth in overall deposits. In the last quarter of 2010, we re-opened our Agency in Soma due to increasing demand from customers. During the year, your Company invested in energy-efficient back-up systems for all rural agencies and the new Serrekunda branch using an inverter and batteries with capacity to provide 8 hours of electricity supply during power outages. This is in line with our environmental values and will contribute towards a significant reduction of fuel and maintenance costs of back generators.

### Treasury, Business Growth and Development

#### *Deposit mobilisation*

The evolution of the Company has always been built on a strong savings culture driven by our philosophy of financial inclusion and access predominantly for the unbanked and under-banked population of The Gambia. This is evidenced in the extensive number of customer touch points which are all linked electronically to facilitate on-line real time processing of transactions across the country. The number of



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new accounts opened during the year increased from 39,403 in 2009 to 51,747; an increase of 12,344 or 31%. The average savings balance also reduced from GMD 3,600 in 2009 to GMD 3,000 in 2010 further strengthening the case for access and affordability.

### **Treasury and Remittances**

During the year, the Company's treasury business recorded impressive growth following the addition of Supersonicz Financial Services as a remittance counter-party on the United Kingdom Gambia corridor. In the last quarter of the year, a Correspondent Pay-Out Agreement was signed with Money Express for the Pan-African market. Leveraging on the partnership with Money Express, the Company also automated its Domestic Money Transfer operations which has translated into improved turnaround time in transaction processing and reduced operational and financial risks. The foreign exchange market experienced leaps and bounces during the year with varying spreads across all major internationally traded currencies. Consequently, revenues from foreign exchange increased from GMD6.2 million in 2009 to GMD11.1 million during the year. The efficient management of our assets and liabilities also yielded improved earnings of GMD6.5 million during the year from GMD4.7 in 2009. Despite the growth of our customer deposits base, the interest paid to depositors declined marginally due to the maintenance of an efficient deposit mix.

### **Credit Management**

In February 2010, the Head of Credit, resigned to take up other assignments and the portfolio was added to the Office of the Managing Director by the Board. Learning from our experiences of the past years, Management has further tightened collateral adequacy and perfection as well as the overall loan documentation and administration. In the last quarter of the period, Product Champions were appointed for all our core Micro-credit products namely: Medium, Small, Micro and Personal Loans to further enhance the leadership and managerial competencies of the Loan Supervisors.

The value of loans disbursed during the year was GMD 137 million compared to GMD 86 million in 2009; an increase of 59.3%. The majority of these loans were to repeat borrowers with a satisfactory credit rating. The average loan size increased from GMD 21,000 to GMD 53,000 in 2010.

### **Loan Portfolio Quality**

Last year, the Portfolio quality as measured by Portfolio at Risk (PaR) 30 days past due was 28% while 90 days past due was 23%. We are pleased to report a reduction in PaR 30 and 90 days past due of 22% and 12% respectively for the year under review. The extensive recovery effort is evidenced in the 48% reduction in PaR 90 days. This improvement is also the first signal in the reversal of the trend in terms of portfolio quality since inception. With a well trained and experienced team of Loan Officers, the focus of the department was to clean up the Non-Performing Loan portfolio through recoveries as a result of which, GMD 4.3 million was received from foreclosures of collateral, enforcement of judgement debtors and proactive client engagements. During the year, the Credit Department also witnessed a significant reduction in staff turnover resulting in stable and sound portfolio.

### **Human Resources**

Following the re-structuring program of 2009, the priority of the Human Resources department in 2010 was the retention of our most talented people and ensuring the environment was right for the delivery of high performance. In this regard, the revised pay scale approved by the Board was implemented to eliminate all inconsistencies with job grades while terms of employment were also reviewed in line with



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the Company's objectives and strategies for certain categories of staff. In addition, all staff exists were filled from within in line with our flat organisation structure and also the delivering on the promise that our people can actually realise their career aspirations within the Company.

### **Outlook**

Over the past year, the primary focus of the Board and Management was focussed on stemming the capital erosion and putting the Company on a path to financial profitability and therefore going forward you can expect that the priority will be to sustain this momentum to achieve financial breakeven and restore the value of shareholders wealth by leveraging on the gains of our turnaround program as well as the opportunities that lie ahead. The potential of our extensive branch network can be realised by expanding the portfolio of financial services in particular remittances to increase non-funded income. We shall be exploring the widening of our correspondence pay-out partnerships with internationally recognised Money Transfer Organisations taking advantage of the changes in the legislation regarding Exclusivity Clauses in Remittances Agreements which has been a major impediment in the past.

In terms of infrastructure, we will be reviewing our Information Technology platform and the ancillary support systems to ensure they continue to deliver to the growth ambitions of the Company. This will help us in the attainment of our mission in delivering accessible and affordable financial services at the convenience of our products but within the overall framework of the regulatory environment and the Laws of The Gambia.

### **Acknowledgements**

I want to sincerely thank our regulators, The Central Bank of The Gambia, in particular the Microfinance Department for their support, understanding and cooperation during the past year. To the Shareholders of the Company, we extend our gratitude for your support and continued confidence in the Management and Staff. We shall never betray your judgements. To ShoreCap International Ltd and Stichting Triodos Doen, we express our profound gratitude for providing the initial seed capital, technical assistance and capacity building which were all critical in the development of the Company. The Board of Directors of the Company deserve our special commendation for their devotion and commitment in steering the activities of the Company to deliver these results during a very challenging period. For our customers, we wish to express our appreciation for choosing Reliance as your choice of financial services provider. We can assure you of our continued determination to listen and react to your needs at all times which has been the bedrock of our relationship.

To my colleagues, Management and Staff, I am grateful for your commitment, dedication and more importantly the sacrifice all geared towards ensuring the success of the Company. It is indeed an honour to lead such a vibrant team. I know I can continue to count on your support and together we are in good stead to deliver superior financial performance in 2011 and beyond.

Thank You and God Bless Reliance.

**Baboucarr Khan**  
**Managing Director**

## Directors' Report

The directors present their report and financial statements for the year ended 31 December 2010.

### Statement of Directors' responsibilities

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

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

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

### Principal activities

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

### Results for the year

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

### Significant changes in fixed assets

Changes in fixed assets are shown in note 12 to the financial statements.

## Directors and directors' interest

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

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

The directors' beneficial interest in the ordinary shares of the company is shown below. No other changes have occurred between 31 December 2010 and the date of this report.

	Number of shares held	
	2010	2009
Mr. Baboucarr Khan	1,411,378	2,117,067
Mrs. Amie Bensouda	38,577,247	2,275,000
Mr. Ebenezer Olufowose	450,000	450,000
Mr. Ismaila Faal	853,244	-
Mr. Chernon S. Jallow	39,394,882	-
	<hr/>	<hr/>
	80,686,751	4,842,067
	<hr/>	<hr/>

## Auditors

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

## By order of the board of directors



## Secretary

Dated this 24<sup>th</sup> day of February 2011

# **Independent Auditors' Report**

## **To the Members of Reliance Financial Services Company Limited**

We have audited the accompanying financial statements of Reliance Financial Services Company Limited, which comprise the balance sheet as at 31<sup>st</sup> December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Directors Responsibility for the financial statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the directors, as well as evaluating the overall presentation of the financial statement.

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31<sup>st</sup> December 2010, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles and have been properly prepared in accordance with the requirements of the Companies Act 1955 and the Banking Act 2009.

**PKF**

*Accountants and business advisers  
Registered Auditors  
Banjul, The Gambia*

Date: 24<sup>th</sup> February 2011



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## Income Statement

for the year ended 31st December 2010

		31 December 2010 D'000	31 December 2009 D'000
	<b>Notes</b>		
Interest income	2	25,304	22,395
Interest expense	3	(7,215)	(7,389)
<b>Net interest income</b>		<b>18,089</b>	<b>15,006</b>
Interest income from investments		6,488	4,704
Fees and commission income		7,813	5,531
Other revenue	4	9,655	8,665
<b>Total operating revenue</b>		<b>42,045</b>	<b>33,906</b>
<b>Operating expenses</b>			
Personnel cost	5	(15,051)	(17,453)
General and administration cost		(11,999)	(17,008)
Premise and equipment		(6,726)	(6,899)
Depreciation		(7,004)	(7,406)
<b>Total operating expenses</b>		<b>(40,780)</b>	<b>(48,766)</b>
<b>Operating Profit / (loss)</b>		<b>1,265</b>	<b>(14,860)</b>
Net recoveries of /(provision for) credit losses		1,863	(7,140)
<b>Profit / (Loss) before taxation</b>	6	<b>3,128</b>	<b>(22,000)</b>
Income tax expense	7	-	-
<b>Profit/(Loss) for the year after taxation</b>		<b>3,128</b>	<b>(22,000)</b>

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

## Balance Sheet

as at 31st December 2010

	Notes	31 December 2010 D'000	31 December 2009 D'000
<b>Assets</b>			
Cash and cash equivalents	8	13,845	12,567
Treasury bills and other investments	9	52,862	28,285
Loans	10	72,291	65,361
Other assets	11	7,814	7,577
Property, Plant & Equipment	12	24,116	29,057
<b>Total assets</b>		<b>170,928</b>	<b>142,847</b>
<b>Liabilities</b>			
Customer deposits	13	155,273	142,125
Other payables	14	4,075	5,108
		<b>159,348</b>	<b>147,233</b>
<b>Non current Liability</b>			
Medium term loan	15	-	21
<b>Total liabilities</b>		<b>159,348</b>	<b>147,254</b>
<b>Equity and reserves</b>			
Share capital	16	56,097	43,238
Accumulated deficit		(44,517)	(47,645)
<b>Total equity and reserves</b>		<b>11,580</b>	<b>(4,407)</b>
<b>Total equity and liabilities</b>		<b>170,928</b>	<b>142,847</b>

These financial statements were approved by the board of directors on 24<sup>th</sup> February 2011 and were signed on its behalf by:



Director



Director

Director

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



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## Statement of changes in equity

for the year ended 31<sup>st</sup> December 2010

	Share Capital D'000	Accumulated Deficit D'000	Total D'000
Balance as at 1 <sup>st</sup> January 2009	43,238	(25,645)	17,593
Loss for the year	-	(22,000)	(22,000)
Shares issued and fully paid for	-	-	-
<b>Balance as at 31<sup>st</sup> December 2009</b>	<b>43,238</b>	<b>(47,645)</b>	<b>(4,407)</b>
Balance as at 1 <sup>st</sup> January 2010	43,238	(47,645)	(4,407)
Shares issued and fully paid for	12,859	-	12,859
Profit for the year	-	3,128	3,128
<b>Balance as at 31<sup>st</sup> December 2010</b>	<b>56,097</b>	<b>(44,517)</b>	<b>11,580</b>

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



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## Cash Flow Statement

for the year ended 31st December 2010

		31 December 2010 D'000	31 December 2009 D'000
	<b>Notes</b>		
<b>Operating activities</b>			
Operating profit/(loss)		3,128	(22,000)
Depreciation		7,004	7,406
Increase in operating assets	17	(7,167)	(1,508)
Increase in operating liabilities	18	12,115	22,984
(Profit)/Loss on disposal of fixed asset		(75)	271
Fixed asset write offs		390	-
		<hr/>	<hr/>
<b>Cash generated from operations</b>		<b>15,395</b>	<b>7,153</b>
Company tax paid		-	-
		<hr/>	<hr/>
<b>Cash flows from operating activities</b>		<b>15,395</b>	<b>7,153</b>
		<hr/>	<hr/>
<b>Investing activities</b>			
Proceeds from sale of fixed assets		275	-
Acquisition of property, plant and equipment		(2,653)	(2,814)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>		<b>(2,378)</b>	<b>(2,814)</b>
		<hr/>	<hr/>
<b>Financing activities</b>			
Proceeds from issue of shares		12,859	-
Loan repayment		(21)	(197)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>		<b>12,838</b>	<b>(197)</b>
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalent</b>		<b>25,855</b>	<b>4,142</b>
<b>Cash and cash equivalent at 1<sup>st</sup> January</b>		<b>40,852</b>	<b>36,710</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31<sup>st</sup> December</b>	8	<b>66,707</b>	<b>40,852</b>
		<hr/>	<hr/>

**Notes** (forming part of the financial statements)**1. Principal Accounting Policies**

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

**a) Basis of preparation**

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

**b) Interest income**

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

**c) Fee income**

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

**d) Loans and advances**

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

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

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

**e) Property, equipment and others****(i) Owned assets**

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

(ii) *Depreciation*

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

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

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

(iii) *Subsequent expenditure*

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

**f) Treasury bills**

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

**g) Foreign currencies**

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

**h) Employee benefits**

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

**i) Provisions**

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

**j) Income tax**

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

**k) Cash and cash equivalent**

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

**2. Interest income**

	<b>31 December 2010 D'000</b>	31 December 2009 D'000
Loans	<b>25,304</b>	22,395
	<hr/>	<hr/>

**3. Interest expense**

Savings	<b>3,007</b>	2,833
Time deposits	<b>3,311</b>	4,553
Social Development Fund	-	3
Bank Overdraft Interest	<b>897</b>	-
	<hr/>	<hr/>
	<b>7,215</b>	7,389
	<hr/>	<hr/>



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#### 4. Other Income

	31 December 2010 D'000	31 December 2009 D'000
Grant income	69	382
Exchange loss	(1,729)	-
Exchange income	9,146	6,236
Sundry income	1,265	1,051
Western union income	904	996
	<hr/>	<hr/>
	9,655	8,665
	<hr/>	<hr/>

#### 5. Staff numbers and cost

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

	Number of employees	
	31 December 2010	31 December 2009
Executive directors	2	1
Management staff	3	7
General staff	108	77
	<hr/>	<hr/>
	113	85
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	31 December 2010 D'000	31 December 2009 D'000
Wages and salaries	4,798	6,087
Allowances including bonuses	9,959	7,220
Other staff costs	294	4,146
	<hr/>	<hr/>
	15,051	17,453
	<hr/>	<hr/>

## 6. Loss before taxation

The loss before taxation is stated after:

*Charging:*

Directors' remuneration	-	31
Audit fees	<b>210</b>	267

## 7. Income tax expense

The company is in possession of a GIPFZA Special Investment Certificate which exempts it from corporation tax calculated on the basis of turnover, which basis of taxation applies when a company records a taxable loss. Therefore, having met all the conditions in the Investment Certificate and not having a chargeable profit for purpose of corporation tax, the company has a nil tax liability for the year. (2009: Nil).

## 8. Cash and local bank balances

	<b>31 December 2010 D'000</b>	31 December 2009 D'000
Cash (note 8a)	<b>4,966</b>	5,185
Balances with local banks (note 8b)	<b>8,879</b>	7,382
	<b>13,845</b>	12,567
Investments with local banks (note 9)	<b>52,862</b>	28,285
	<b>66,707</b>	40,852
Cash and cash equivalents in the statement of cash flow	<b>66,707</b>	40,852

### 8a. Cash

	<b>31 December 2010 D'000</b>	31 December 2009 D'000
Cash	<b>4,017</b>	4,864
Outward clearing	<b>949</b>	321
	<b>4,966</b>	5,185



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## 8b. Local bank balances

	31 December 2010 D'000	31 December 2009 D'000
Balance with Central Bank of The Gambia	3,893	3,569
Balance with local banks	4,986	3,813
	<hr/>	<hr/>
	8,879	7,382
	<hr/>	<hr/>

## 9. Investments

Treasury bills	3,500	3,100
Placements with banks	51,517	25,799
Interest unearned – investment	(2,155)	(614)
	<hr/>	<hr/>
	52,862	28,285
	<hr/>	<hr/>

## 10. Loans

	31 December 2010 D'000	31 December 2009 D'000
SME Loan	54,876	39,701
Micro Enterprises	7,569	13,589
Express	2,745	4,233
Others	16,484	18,675
	<hr/>	<hr/>
Gross loans	81,674	76,198
Less:		
Specific provision for bad debts	(3,995)	(8,284)
General provision for bad debts	(613)	(340)
Interest in suspense	(4,775)	(2,213)
	<hr/>	<hr/>
Net Loans	72,291	65,361
	<hr/>	<hr/>



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	<b>31 December 2010 D'000</b>	31 December 2009 D'000
<b>11. Other assets</b>		
Receivables	<b>5,546</b>	4,399
Prepayments	<b>2,260</b>	3,170
Tax Deposit	<b>8</b>	8
	<hr/> <b>7,814</b> <hr/>	<hr/> 7,577 <hr/>

## 12. 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
<b>Cost</b>						
At 1 January	3,077	27,810	5,741	1,622	7,272	45,522
Additions	1,319	1,317	17	-	-	2,653
Transfer	(2,454)	-	-	-	2,454	-
Disposal	-	-	-	(428)	-	(428)
Write offs	(1,167)	(2,918)	(1,249)	-	-	(5,334)
<b>At 31 Dec. 2010</b>	<b>775</b>	<b>26,209</b>	<b>4,509</b>	<b>1,194</b>	<b>9,726</b>	<b>42,413</b>
<b>Depreciation</b>						
At 1 January	-	11,126	3,474	758	1,107	16,465
Charge for the year	-	4,735	1,427	289	553	7,004
Disposal	-	-	-	(228)	-	(228)
Write offs	-	(3,695)	(1,249)	-	-	(4,944)
<b>At 31 Dec. 2010</b>	<b>-</b>	<b>12,166</b>	<b>3,652</b>	<b>819</b>	<b>1,660</b>	<b>18,297</b>
<b>Net book value</b>						
<b>At 31 December 2010</b>	<b>775</b>	<b>14,043</b>	<b>857</b>	<b>375</b>	<b>8,066</b>	<b>24,116</b>
At 31 December 2009	3,077	16,648	2,267	900	6,165	29,057

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



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### 13. Customer deposits

	31 December 2010 D'000	31 December 2009 D'000
Savings	132,077	105,261
Fixed deposit accounts	23,196	36,864
	<hr/>	<hr/>
	155,273	142,125
	<hr/>	<hr/>

### 14. Other payables

Accruals	1,843	3,210
Social Security Contribution	60	55
Income Tax	261	263
Other Accruals	1,911	1,580
	<hr/>	<hr/>
	4,075	5,108
	<hr/>	<hr/>

### 15. Medium term loan

Social Development Fund	-	21
	<hr/>	<hr/>

### 16. Share Capital

The total number of authorised ordinary shares at year end was 90 million ordinary shares with a par value of D1.00 per share (2009: 45 million ordinary shares with a par value of D 1 each).

In June 2010, the company issued 46,761,780 comprising of the 45,215,170 unallocated shares and 1,546,610 being shares allotted to the three founders during the rights issue in 2008 which remained unpaid and had to be surrendered to the Company. This increased the total number of shares of the company to 90,000,000. Consequently the fully paid up capital of the company increased from GMD43,238,000 in December 2009 to GMD56,098,000 by end June 2010 ensuring full compliance with the minimum primary capital of the GMD10 million stipulated by Central Bank of The Gambia for all companies engaged in non banking financial intermediation.



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## 17. Increase in operating assets

	31 December 2010 D'000	31 December 2009 D'000
Funds advanced to customers	(6,930)	(3,763)
Other assets	(237)	2,255
	<hr/>	<hr/>
	(7,167)	(1,508)
	<hr/>	<hr/>

## 18. Increase in operating liabilities

Deposits from customers	13,148	27,068
Other payables	(1,033)	(4,084)
	<hr/>	<hr/>
	12,115	22,984
	<hr/>	<hr/>

## 19. Contingent liabilities

Acceptances, endorsements and other obligations	-	-
	<hr/>	<hr/>

## 20. Capital commitments

Authorised by the Board and contracted for	-	-
	<hr/>	<hr/>
Authorised by the Board but not contracted for	3,500	-
	<hr/>	<hr/>



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## 21. Related Party Transactions

31 December 2010 D'000	31 December 2009 D'000
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The following are loan balances due to related party:

### Directors, officers and other employees

Director	3,234	2,136
Officers and other employees	1,120	2,505
	<hr/>	<hr/>
	4,354	4,641
	<hr/>	<hr/>
Legal fees	44	57
	<hr/>	<hr/>
Head office rent	693	693
	<hr/>	<hr/>



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## Supplementary Information



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**1.1 General and administration cost**

	<b>31 December 2010 D'000</b>	31 December 2009 D'000
Finance cost and charges	423	315
Printing and stationery cost	1,147	1,659
Communications costs	2,051	1,834
Equipment maintenance expenses	279	689
Transport and travel costs	1,822	2,172
Business promotion costs	1,903	1,356
Professional fees	3,245	5,561
Other costs	1,129	3,422
	<hr/> 11,999	<hr/> 17,008

**1.2 Premises cost**

Office rent	2,486	2,786
Electricity expenses	1,414	1,263
Cleaning	540	841
Rates and taxes	454	466
Security costs	1,536	1,416
Property insurance	14	-
Property maintenance	282	127
	<hr/> 6,726	<hr/> 6,899