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Reliance Financial Services Company Limited

**Annual Report
and Financial Statements**

for the year ended 31 December 2009



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Financial Highlights

	2009	2008	2007	Increase/ (Decrease)
	D'000	D'000	D'000	09 vs 08
Financial Structure				
Capital to Asset Ratio	-3.1%	15%	15%	-18.1%
Debt/ Equity Ratio (Times)	-0.01	0.01	5.49	-0.02
Deposits to loans	216%	187%	143%	29%
Deposits to total assets	99%	81%	68%	18%
Gross loans Portfolio to Total Assets	53%	43%	47%	10%
Outreach Indicators				
Total Number of Borrowers	3,958	2,895	624	1,063
Number of Active borrowers	3,480	2,595	574	885
Total Value of loans disbursed (GMD'000)	85,633	216,891	89,500	-131,258
Average Size of Loans Disbursed (GMD'000)	21	20	143	1
Gross Loan Portfolio outstanding (GMD'000)	76,198	63,081	58,627	13,117
Average Loan balance per borrower (GMD'000)	22	24	102	-2
Voluntary Savings (GMD'000)	142,125	115,057	82,560	27,068
Number of voluntary savings accounts	39,403	24,107	8,825	15,296
Average savings balance per saver (GMD'000)	3.6	4.8	9.36	-1.2
Number of Branches and Kiosks	20	27	7	-7
Range of Loan Sizes (GMD'000)	2-1,500	2-1,500	2-.1, 500	-
Financial Performance				
Operational Self-sufficiency	40%	63%	61%	-23%
Financial Revenue Ratio	27%	23%	13%	4%
Yield on gross Portfolio (Nominal)	26%	23%	33%	3%
Loan Loss Provision Expense Ratio	4.97%	1.04%	0.02%	3.93%
Administrative Expense Ratio	12%	17%	4%	-5%



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Efficiency & productivity

Operating Expense/ Loan Portfolio	75%	69%	80%	6%
Personnel expense/ Loan Portfolio	27%	30%	31%	-3%
Cost per borrower (GMD'000)	14	17	81	-3
Borrowers per staff member	41	21	8	20
Borrowers per loan officer	97	118	34	-21
Voluntary savers per staff member	464	198	123	266

Risk and liquidity

Portfolio at Risk > 30 Days	28%	15%	5.60%	13%
Portfolio at Risk > 90 Days	23%	5.30%	2.34%	17.7%
Risk Coverage	14.8%	14.79%	7.92%	0.01%
Non – earning liquid assets as % Total Assets	8.76%	8.75%	3.89%	0.01%

Macro Economic Indicators

Inflation Rate	3.0%	6.6%	6.02%	-3.6
Exchange Rate (Customs Valuation) GMD/USD	26.83	26.88	22.66	-0.05
GDP Growth Rate	5%	6.1%	6.90%	-1.1
GDP Per Capita (USD)	315	300	330	15



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General Information

Directors Mrs. Amie N. D. Bensouda (Chairperson) *Representing Local Shareholders*
Mr. Baboucarr Khan *Managing Director*
Mr. Kenny Owusu *Representing ShoreCap International*
Mr. Jacco Minnaar *Representing Stichting Triodos Doen*
Mr. Alieu Secka *Representing International Shareholders*
Mr. Ebenezer Olufowose *Representing Founding Shareholders*

Secretary Mr. Seedy A.B Njie

Bankers

Trust Bank Limited
3/4 Ecowas Avenue
Banjul

Standard Chartered Bank (Gambia) Limited
Ecowas Avenue
Banjul

Guaranty Trust Bank Limited
56 Kairaba Avenue
KMC

Access Bank Limited
47 Kairaba Avenue
KMC

First International Bank Limited
Kairaba Avenue
KMC

EcoBank Limited
Kairaba Avenue
KMC

Auditors PKF
Accountants and business advisers
3/4 Ecowas Avenue
P.O.Box 431
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 31st December 2009.

The Operating Environment

The scale and scope of the global financial crisis as evidenced by the massive fiscal and stimulus packages to support the financial services and auto industries in both the United States and Europe in 2008 spilled over on the developing countries particularly Sub-Saharan Africa in 2009 hence making it a very difficult and challenging year. This led the International Monetary Fund (IMF) to forecast a contraction in global economic growth by 1.1% in 2009; while growth in Sub Saharan Africa was revised upwards to 1.7%. In view of the deteriorating economic and employment situation in the migrant-destination countries in late 2008 and the first half of 2009, remittances flows into Sub Saharan Africa declined sharply.

Despite all the above challenges, the Gambian economy was estimated to grow by 5% in 2009 a slight decline of 1% from the averages seen in the past couple of years. This is driven mainly by the strong growth in the agriculture sector due to the good rains and diversification away from groundnut to rice farming particularly in the Central River Regions. The Banking sector continues to register sound growth with the average risk weighted capital adequacy ratio at 33% as at November 2009 compared to the minimum prudential ratio of 8%. As at 30th November 2009, total industry assets were GMD13.9 million an increase of 14.8% from 2008 with asset quality as measured by the Non Performing Loan portfolio remaining stable at 7% of the gross loans.

Financial performance

The financial services landscape has changed dramatically in the last few years with the entry of new commercial banks into the sector taking the number of players to 13 by the end of 2009. The proliferation of Foreign Exchange Bureaus and Western Union Sub-Agents in the Greater Banjul Area as well as the rapid expansion of branch networks into rural Gambia has resulted in an unprecedented level of competition. The sector has also witnessed the introduction of new products and services including Points of Sales and additional ATMs as well as smart technology driven products to entice customers.

The combined effects of all the above, meant that the Board of Directors had to re-strategise with management and together work closely in setting a new agenda designed to consolidate on the gains of the previous years. Specifically, this entailed the commissioning of an independent consultancy at the end of May 2009 to perform a diagnosis of the Company with the view to making recommendations to achieve break even and stop the erosion of capital. This was immediately followed up with a comprehensive implementation of a turnaround restructuring program at the beginning of the second half of the year through to October 2009. Through a combination of cost cutting measures and rationalisation of the network infrastructure, the overall cost of operations, excluding provisioning for credit losses increased by 13%.

As part of the overall risk management strategy, the Board also embarked upon cleaning the balance sheet of non-performing loans giving rise to the significant increase in provisioning of GMD7.1 million



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compared to GMD0.6 million to ensure a proper and appropriate reflection of the inherent risk in our lending book.

Notwithstanding the bold decisions and its impact the following is a summary of the key financial highlights for 2009:

Total operating revenue increased by 18.22% year on year; while operating expenses recorded a marginal increase of 13.3%;

Operating loss for the year before provisioning declined from GMD14.3 to GMD14.9;

Total deposit liabilities increased by 23% from GMD115 million to GMD142 million during the year;

Gross loans increased marginally by 20.79%; and Shareholders' funds due to the accumulated losses from the start up years declined to negative GMD4.4 million.

As we usher into a new decade, we are fully cognisant of the challenges that lie ahead to sustain the momentum generated by the re-structuring while operating within a rapidly changing economic environment. We firmly believe that we have now streamlined our business to a shape and size that can withstand these challenges and yet be able to explore the opportunities in our target markets with the view to restoring shareholders funds to parity and delivering sustainable value in the near term. In this endeavour we appeal to your continued patience and understanding while counting on your usual support and cooperation to overcome this difficult but attainable ambition of changing lives using microfinance as a platform.

Corporate governance

I will like to express my gratitude to my colleagues on the Board for their unflinching commitment and dedication to the course of Reliance; particularly those who had to endure several hours of air travel to attend meetings. Messrs Jacco Minnaar and Ebenezer Olufowose representing Stichting Triodos Doen and the Founders of Reliance respectively have been serving on the Board since inception in 2006 and are by virtue of their tenor eligible for retirement at the next Annual General Meeting. Mr Minnaar and Mr. Olufowose being eligible for re-election have offered themselves for re-election.

Mr. Alieu Secka who was appointed as a Director representing the International Shareholders in July 2008 has offered to resign from the Board due a very tight business engagement schedule which entails significant amounts of travels out of the country. We shall deeply miss his valuable local knowledge and private sector experience and pray for his continued success.

Outlook

As the global economy continues to show strong signs of recovery, we are confident that the fiscal policies taken by Government as contained in the 2010 budget coupled with the prudent monetary policies being pursued by the Central Bank of The Gambia would support economic growth, maintain low inflation and improve debt sustainability.



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We are therefore poised to exploit the advantages offered by the macro-economic environment through a combination of external partnership co-operations to re-capitalise the Company as well as continue the robust implementation of the re-structuring programme in order to achieve break even in 2010.

Conclusion

I want to conclude by thanking our shareholders and our esteemed customers for your support during what was a very difficult year for our Company. My gratitude goes to my colleagues on the Board, and the Management and Staff who consistently have worked hard to build the Company for growth and profitability. I want to also acknowledge the support of our stakeholders chief amongst which is the Central Bank of The Gambia, the Government of The Gambia for their encouragement.

Amie N Bensouda
Chairperson of the Board of Directors



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Managing Director's Statement

Financial and Operating Review

The year ended 31st December 2009 was indeed very challenging. Following the significant investment in infrastructural development of the Company in the previous years, we were faced with the spill-over effects of the global economic downturn. In addition, there was the increased competitive pressure within the financial services sector as evidenced by the increase in the number of commercial banks to thirteen (13) as at the year end. As a Greenfield Company, the combination of the start up investments and operating losses, coupled with a change in operating environment including new regulatory requirements spurred the Board into action early in the year with our initial capital raise. Furthermore, there was the need to stem the operational losses and bring the Company to break even position to end the continuous erosion of capital. The key actionable items were the implementation of a thorough cost cutting strategy supported by a complementary degree of productivity improvements.

The Company recorded gross revenue of GMD41.3 million in the period, an increase of 12% from the previous year. Similarly, operating expenses before provisions and taxes increased by 13% to GMD48.7 million. Despite the challenging economic environment, the Company's Balance Sheet grew slightly to GMD143.5 million at the back of a turnaround program that rationalized the operations of the Company to put it on the path to profitability. Deposits grew by 23.5% and the net loan book after making a provision of GMD7.1 million during the year showed a balance of GMD65.3 million, GMD3.1 million more than the previous year. The remittance business mainly through Western Union continues to contribute significantly to the earnings of the Company.

Branch Network

Despite the difficult business environment, Reliance was able to open new markets that have been grossly under-served in Central River Region the biggest geographic area in The Gambia namely in Bansang and Brikamaba. In response to the increasing demands from our Churchills Town Agency and Serrekunda Market Kiosk, we upgraded to a newly purpose built branch in the heart of Serrekunda which has the highest concentration of micro, small, medium enterprises. The Agency in Basse was also formerly opened in January 2009. These new outlets enabled the company to launch the pilot testing of its Domestic Money Transfer product thus facilitating payments between the rural and urban areas which yielded positive results as of the end of the year. As part of the turnaround implementation, within the cost save initiatives, we temporarily suspended operations in twelve (12) locations mainly kiosks; bringing the number down to 20 by December. The focus was on the outlets that were not making a positive contribution to profits and closing them would not significantly impact customer service.

Treasury, Business Growth and Development

As part of the corporate re-structuring and turnaround, a new unit was created; called the Treasury, Business Growth and Development. Its mandate amongst others was to manage our deposit mobilisation, product and market development as well as Treasury Business which includes mainly the spot trading of our Western Union inflows and managing our Assets and Liabilities funding and investments.



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Deposit Mobilization

The Company continued to register double digit growth in our deposit liabilities portfolio year on year; closing with a period end balance of GMD142 million. This represents an increase of GMD 27 million compared to 2008 despite the reduction in customer touch points. This was achieved mainly through the lowering of the entry barriers for savings accounts to GMD25 (USD1.00) from GMD100 (USD4.00). This initiative was further supported by the introduction of daily cash collectors whose main objective is to increase Reliance's wallet size of the existing depositors as well as active savers' base. The number of new active savers recorded an increase of 15,296 as at year end; representing a growth of 63% compared to 2008. The average account balances during the year was GMD3,607 (USD139) decreasing from GMD4,880 (USD 195) the previous year, which is in line with our social inclusion mission of providing financial services to the unbanked and under-banked members of society.

Treasury and Remittances

During the year under review, the revenues from foreign exchange activities including Western Union totalled GMD7.2 million compared to GMD7.6 million in the previous year. The competitive nature of the operating environment following the massive proliferation of new foreign exchange bureaus and sub-agents coupled with tighter remittances settlement rates impacted the spread realised. The spread between the local currency and the international major settlement currency the United States Dollar narrowed from an average of GMD2.5 in 2008 to GMD1.00 in 2009 which partly accounts for this drop. Similarly, the effects of the global financial crisis on remittances were felt in the second half of 2009 thus leading to a decrease in the recorded amount of remittances inflow. Investment income from the efficient asset and liability management activities generated GMD4.7 million. Additionally, we recorded a savings of GMD0.9 million in our interest expense line.

Credit Management

Following the expiry of the Technical Assistance from ShoreCap Exchange for Credit Operations in June 2009 of both the long and short term Consultants Messrs. Craig Feinberg and Dennis Kiyimba, the Board decided to recruit Mr. Benjamin Noballa an experienced microfinance practitioner as a substantive Head of Credit. The department, through the leadership of Ben established optimal caseload (maximum number of clients per officer per loan product) and targets. This was aimed at driving production while maintaining quality of portfolio. Emphasis was shifted to number of loans as opposed to volume. The capacity of the department was significantly enhanced during the year with the hiring of fourteen (14) new trained credit officers. The trainees underwent classroom based training on the new credit methodology followed by hand-on shadowing of existing Loan Officers before certification to start lending on their own. Among notable activities were review of credit policies and procedures manuals, refresher training for Loan Officers on the credit policies to ensure harmonization and homogeneity in credit operations, with particular emphasis on policy compliance.

With these additional resources, we were able to decentralise the overall lending process as evidenced by the commencement of lending activities in Central River Region and Upper River Region in particular. In the face of increasing competition from other players, changes were instituted to increase efficiency and make Reliance more competitive. Branch based credit committees were introduced to discuss and approve loans. Also, introduced were daily credit committees at the head office to review and approve loan applications as they came in to improve on turnaround time for loans as well as productivity. During the year 2009, a total of 3,366 loans were disbursed with a total value of GMD 86 million, thus giving an average loan size of GMD 25,550.



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Loan Portfolio Quality

During the first half of the year, the portfolio quality as measured by the PaR 30, (portfolio at risk) was at 34%. Among the strategies employed to check further deterioration and improve on quality of new loans were; improved underwriting, weekly monitoring visits and reporting, implementation of production and PaR reduction targets and weekly trend analysis on key indicators.

To support the foregoing efforts, Team Leaders were advised to plan outreach in clusters in order to maximize on efficiency and to avoid overstretching and time wastage. The new approach, coupled with close supervision and frequent field visits to the branches saw a remarkable improvement in quality of the portfolio. The PaR as of 31st December stood at 28%, an improvement of 6% points compared to June, 2009. One of the major contributing factors to the high PaR has been the high staff turnover resulting in reduced capacity to produce whilst adversely affecting the quality of the portfolio. Effects of the global financial crisis negatively impacted the Company's ability to realise collateral from defaulting clients in cases where court judgment was in our favour.

Human Resources

2009 started with a big bang with the tailor-made executive and middle management programme by the Rotterdam School of Management, Erasmus University of the Netherlands. The programme covered the top 30 senior employees of the Company comprising: executive (4) senior (top 6) and middle management (20). The scope included leadership, Strategy, Communication, Performance Management and Productivity enhancement and monitoring tools. The event was funded by ShoreCap Exchange and delivered by Boudewijn Bertsch and Nanna Kies and was for period of one week. The hands-on nature of the programme and the delivery continues to be felt within the Company.

This was followed in March by the Effective Branch Management – Key to Growth Programme a ShoreCap Exchange training held in India attended by three (3) staff members, Head of Treasury, Business Growth and Development, Regional Manager for Kairaba and a Senior Credit Officer. This programme inspired the development and implementation of our own in-house course titled: High Potential Training Program. The scope of the training covered all aspects of the job ranging from cash management, risk management, people management and basic credit training. Once the training is completed, staffs are certified to be fully trained supervisors. In July the Managing Director attended the Frankfurt School of Management Effective Microfinance Management course to further build and develop the knowledge base of the Company funded by a grant from the Rural Finance Project.

The demand for talent within the financial services industry was at an all time high in 2009 with the imminent introduction of two more banks. Consequently, the Company changed its recruitment and selection policy for mainly the junior officers (i.e. loan officers, tellers, supervisors and department support staff). The focus was on identifying candidates with good basic education coupled with a very strong social background. We have taken it a step further to address the disparity between the core competencies of such an individual and the profile requirements, including aspects such as negotiation skills of the individual, knowledge of the characteristics of our target market, selling skills, multicultural awareness etc. We now place more emphasis on these key competencies as opposed to academic qualifications, strategic perspective etc. We believe these initiatives will provide us with the right people who will not be as attractive to the commercial banks and who will instead fit in with our mission and organisational goals.

The highest staff turnover since inception of the Company, was recorded in 2009; most notably amongst our Loan Officers; 20 in total. In all, none of the exits were replaced with external resources. Instead, we



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maximised the use of the existing staff by enlarging certain job roles and combining others as part of the turnaround initiatives. We have implemented a staff engagement exercise giving staff the opportunity to air out their views, challenges, and ways to improve our operations. We hope this will give us the opportunity to make sure that the message within Reliance is consistent. It will also give us the opportunity to stay close to our people and to show them that we care and value their opinions and ideas.

Outlook

There are big challenges facing the financial services in years to come particularly 2010 with increased competition from 13 commercial banks coupled with increased regulatory primary capital requirements. The threats to the microfinance players would be the risk of some of the commercial banks down scaling their operations and opting for a Non Bank Financial Institution Licence should they be not in a position to meet the new capital of GMD150 million; which represents an increase in the current capital by 2.5 folds. The 2010 budget has set out the fiscal and monetary policies that we expect Government and the Central Bank of the Gambia to pursue and we are confident that the macro-economic indicators will provide us with the opportunities to continue to serve our customers better leveraging on our brand.

Reliance is however well positioned to manage through this difficult period following the restructuring of the Company during the year. While we have become the dominant player within the sector, our challenge is now to translate our market leadership into efficient and profitable operations to breakeven and become operationally and financially self sufficient. We recognise that we have now reached the end of our gestation period as a Greenfield operation and hence a high level of consistent performance delivery is expected. This is in line with our mission of delivering sustainable returns to our shareholders on a consistent basis and the entire staff body and management are truly committed to the realisation of that objective commencing 2010.

Acknowledgements

Let me take this opportunity to thank our regulators, partners indeed The Central Bank of The Gambia in general and the Microfinance Department in particular for their unflinching support and cooperation. We know we can always count on you. To our esteem customers we shall remain forever grateful for your patronage, friendship and valuable ideas and to assure you that while we welcome your Choice of Reliance, we shall never take this for granted and will continue to work even harder to ensure your continuous satisfaction thereby earning your loyalty. We want to thank the People and Government of The Gambia for the peace and security and tranquillity without which we would not have attracted the investment to realise our dream of building Reliance. We also want to acknowledge our partners in development such the ShoreCap Exchange, Rural Finance Project and subscribers to our Deposit for Development product.

I wish to conclude by thanking my Management team for their loyalty and support during what was a very turbulent year for the Company as well as the Board of Directors for being a sounding board and setting the direction and agenda of Reliance. The Staff of Reliance have been exceptional particularly in 2009 despite the pains we have had to endure as part of the turnaround but believed in the gains that lie ahead. God willing, we shall not disappoint and shall commit to making tomorrow better than today always. We shall continue to count on your support and dedication in our mission of changing lives.

Baboucarr Khan
Managing Director



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Directors' Report

The directors present their report and financial statements for the year ended 31 December 2009.

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.

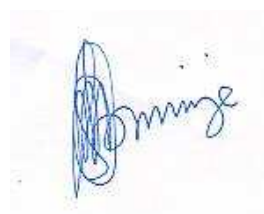
The directors' beneficial interest in the ordinary shares of the company is shown below. No other changes have occurred between 31 December 2009 and the date of this report.

	Number of shares held	
	2009	2008
Mr. Baboucarr Khan	2,117,067	2,117,067
Mrs. Amie Bensouda	2,275,000	2,275,000
Mr. Ebenezer Olufowose	450,000	450,000
	<hr/>	<hr/>
	4,842,067	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 15th day of July 2010

Independent Auditors' Report

To the Members of Reliance Financial Services Company Limited

We have audited the accompanying financial statements of Reliance Financial Services Company Limited, which comprise the balance sheet as at 31st December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors Responsibility for the financial statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as of 31st December 2009, 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: 16th July 2010

Income Statement

for the year ended 31st December 2009

	<i>Notes</i>	31 December 2009 D'000	31 December 2008 D'000
Interest income	2	22,395	14,571
Interest expense	3	(7,389)	(8,288)
Net interest income		15,006	6,283
Interest income from investments		4,704	5,707
Fees and commission income		5,531	4,886
Other revenue	4	8,665	11,784
Total operating revenue		33,906	28,660
Operating expenses			
Personnel cost	5	(17,453)	(18,804)
General and administration cost		(17,008)	(13,684)
Premise and equipment		(6,899)	(4,303)
Depreciation		(7,406)	(6,250)
Total operating expenses		(48,766)	(43,041)
Operating loss		(14,860)	(14,381)
Provision for credit losses		(7,140)	(606)
Loss before taxation	6	(22,000)	(14,987)
Income tax expense	7	-	-
Loss for the year after taxation		(22,000)	(14,987)




The attached notes form part of these financial statements.

Balance Sheet

as at 31st December 2009

	Notes	31 December 2009 D'000	31 December 2008 D'000
Assets			
Cash and cash equivalents	8	12,567	12,428
Treasury bills and other investments	9	28,899	24,282
Loans	10	65,361	61,598
Other assets	11	7,577	9,832
Property, Plant & Equipment	12	29,057	33,920
Total assets		143,461	142,060
Liabilities			
Customer deposits	13	142,125	115,057
Other payables	14	5,722	9,192
		147,847	124,249
Non current Liability			
Medium term loan	15	21	218
Total liabilities		147,868	124,467
Equity and reserves			
Share capital	16	43,238	43,238
Accumulated deficit		(47,645)	(25,645)
Total equity and reserves		(4,407)	17,593
Total equity and liabilities		143,461	142,060

These financial statements were approved by the board of directors on 15th July 2010 and were signed on its behalf by:

 Director
 Director
 Director

The attached notes form part of these financial statements.



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Statement of changes in equity

for the year ended 31st December 2009

	Share Capital D'000	Accumulated Deficit D'000	Total D'000
Balance as at 1 st January 2008	29,510	(10,658)	18,852
Loss for the year	-	(14,987)	(14,987)
Shares issued and fully paid for	13,728	-	13,728
	<hr/>	<hr/>	<hr/>
Balance as at 31 st December 2008	43,238	(25,645)	17,593
	<hr/>	<hr/>	<hr/>
Balance as at 1 st January 2009	43,238	(25,645)	17,593
Loss for the year	-	(22,000)	(22,000)
	<hr/>	<hr/>	<hr/>
Balance as at 31st December 2009	43,238	(47,645)	(4,407)

The attached notes form part of these financial statements.



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Cash Flow Statement

for the year ended 31st December 2009

		31 December 2009 D'000	31 December 2008 D'000
Operating activities	Notes		
Operating loss		(22,000)	(14,987)
Depreciation		7,406	6,250
Increase in operating assets	17	(1,508)	(12,043)
Increase in operating liabilities	18	23,598	32,525
Loss on disposal of fixed asset		271	2
		<hr/>	<hr/>
Cash generated from operations		7,767	11,747
Company tax paid		-	-
		<hr/>	<hr/>
Cash flows from operating activities		7,767	11,747
		<hr/>	<hr/>
Investing activities			
Acquisition of property, plant and equipment		(2,814)	(13,883)
		<hr/>	<hr/>
Cash flows from investing activities		(2,814)	(13,883)
		<hr/>	<hr/>
Financing activities			
Proceeds from issue of shares		-	13,728
Loan repayment		(197)	(11,484)
		<hr/>	<hr/>
Cash flows from financing activities		(197)	2,244
		<hr/>	<hr/>
Net increase in cash and cash equivalent		4,756	108
Cash and cash equivalent at 1st January		36,710	36,602
		<hr/>	<hr/>
Cash and cash equivalents at 31st December	8	41,466	36,710
		<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

	31 December 2009 D'000	31 December 2008 D'000
Loans	22,395	14,571

3. Interest expense

Savings	2,833	1,818
Time deposits	4,553	5,579
Shorecap International	-	334
Triodos	-	341
Social Development Fund	3	48
Bank Overdraft Interest	-	168
	7,389	8,288



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4. Other Income

	31 December 2009	31 December 2008
Grant income	382	2,870
Exchange gain	-	5
Exchange income	6,236	6,842
Sundry income	1,051	1,324
Western union income	996	743
	<hr/>	<hr/>
	8,665	11,784
	<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 2009	31 December 2008
Executive directors	1	1
Management staff	7	9
General staff	77	112
	<hr/>	<hr/>
	85	122
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	31 December 2009 D'000	31 December 2008 D'000
Wages and salaries	6,087	7,022
Allowances including bonuses	7,220	9,121
Other staff costs	4,146	2,661
	<hr/>	<hr/>
	17,453	18,804
	<hr/>	<hr/>

6. Loss before taxation

The loss before taxation is stated after:

<i>Charging:</i>		
Directors' remuneration	31	47
Audit fees	267	267
	<hr/>	<hr/>

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 having a taxable loss for purpose of corporation tax, the company has a nil tax liability for the year. (2008: Nil).

8. Cash and local bank balances

	31 December 2009 D'000	31 December 2008 D'000
Cash (note 8a)	5,185	5,846
Balances with local banks (note 8b)	7,382	6,582
	<hr/>	<hr/>
	12,567	12,428
Investments with local banks (note 9)	28,899	24,282
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cashflow	41,466	36,710
	<hr/>	<hr/>

8a. Cash

	31 December 2009 D'000	31 December 2008 D'000
Cash	4,864	5,464
Outward clearing	321	382
	<hr/>	<hr/>
	5,185	5,846
	<hr/>	<hr/>

8b. Local bank balances

	31 December 2009 D'000	31 December 2008 D'000
Balance with Central Bank of The Gambia	3,569	3,187
Balance with local banks	3,813	3,395
	<hr/> 7,382 <hr/>	<hr/> 6,582 <hr/>

9. Investments

Treasury bills	3,100	1,125
Placements with banks	25,799	23,157
	<hr/> 28,899 <hr/>	<hr/> 24,282 <hr/>

10. Loans

	31 December 2009 D'000	31 December 2008 D'000
SME Loan	39,701	14,357
Micro Enterprises	13,589	30,637
Express	4,233	-
Others	18,675	18,087
	<hr/> 76,198 <hr/>	<hr/> 63,081 <hr/>
Less:		
Specific provision for bad debts	(8,284)	(610)
General provision for bad debts	(340)	(692)
Interest in suspense	(2,213)	(181)
	<hr/> 65,361 <hr/>	<hr/> 61,598 <hr/>
Net Loans		



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	31 December 2009 D'000	31 December 2008 D'000
11. Other assets		
Receivables	4,399	3,816
Prepayments	3,170	6,008
Tax Deposit	8	8
	<hr/>	<hr/>
	7,577	9,832
	<hr/>	<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
Cost						
At 1 January	2,625	26,052	5,846	1,633	7,135	43,291
Additions	452	2,074	-	151	137	2,814
Disposal	-	(316)	(105)	(162)	-	(583)
At 31 Dec. 2009	3,077	27,810	5,741	1,622	7,272	45,522
Depreciation						
At 1 January	-	6,214	2,089	460	608	9,371
Charge for the year	-	5,132	1,442	333	499	7,406
Disposal	-	(184)	(57)	(71)	-	(312)
At 31 Dec. 2009	-	11,162	3,474	722	1,107	16,465
Net book value						
At 31 December 2009	3,077	16,648	2,267	900	6,165	29,057
At 31 December 2008	2,625	19,838	3,757	1,173	6,527	33,920

Work in progress represents the cost so far spent on Signages, Kiosks, Fixtures and Fittings and the construction of Serrekunda Branch which was not completed at the year end.

13. Customer deposits

	31 December 2009 D'000	31 December 2008 D'000
Savings	105,261	82,188
Fixed deposit accounts	36,864	32,869
	<hr/> 142,125 <hr/>	<hr/> 115,057 <hr/>

14. Other payables

Accruals	3,210	7,210
Interest earned – investment	614	766
Social Security Contribution	55	105
Income Tax	263	152
Other Accruals	1,580	959
	<hr/> 5,722 <hr/>	<hr/> 9,192 <hr/>

15. Medium term loan

Social Development Fund (i)	21	218
	<hr/> 21 <hr/>	<hr/> 218 <hr/>

(i) These are funds contracted from Social Development Funds (SDF) for lending to the fisheries sector. Interest is payable quarterly at a rate of 15% per annum. Repayments are in equal quarterly installments of principal and interest. The loan is unsecured

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 (2008: 45 million ordinary shares with a par value of D 1 each).

In June 2010, the company issued 46,761,780 comprising of the unallocated shares of 45,215,170 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 back to the Company. This increased the total number of shares of the company to 90,000,000. Consequently



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the fully paid up capital of the company increased from GMD43,238,000 in December 2009 to GMD56,097,000 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.

17. Increase in operating assets

	31 December 2009 D'000	31 December 2008 D'000
Funds advanced to customers	(3,763)	(3,848)
Other assets	2,255	(8,195)
	<hr/> (1,508) <hr/>	<hr/> (12,043) <hr/>

18. Increase in operating liabilities

Deposits from customers	27,068	32,492
Other payables	(3,470)	33
	<hr/> 23,598 <hr/>	<hr/> 32,525 <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	-	-
	<hr/>	<hr/>



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21. Related Party Transactions

31 December 2009 D'000	31 December 2008 D'000
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The following are loan balances due to related party:

Directors, officers and other employees

Director	2,136	-
Officers and other employees	2,505	583
	<hr/>	<hr/>
	4,641	583
	<hr/>	<hr/>
Legal fees	57	36
	<hr/>	<hr/>