RELIANCE FINANCIAL SERVICES COMPANY LIMITED

Annual Report and Financial Statements

for the year ended 31st December 2020

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Changing Lives
Reliance

CORPORATE INFORMATION

Board of Directors	Mrs. Amie N. D. Bensouda - Chairperson
	Mr. Baboucarr Khan - Managing Director
	Mr. Ebenezer Olufowose
	Mr. Cherno S. Jallow
	Mrs. Nellie N. Taylor
Secretary	Khadim Joof
Independent auditor	DT Associates
	Audit, Tax and Advisory
	Bertil Harding Highway
	Kololi
	The Gambia

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 (Gambia) Limited
47 Kairaba Avenue
KMC

First International Bank Limited
2 Kairaba Avenue
KMC

EcoBank Gambia Limited
42 Kairaba Avenue
KMC

Mega Bank Gambia Limited
11 A Liberation Avenue
Banjul

Arab Gambian Islamic Bank Limited
Becca Plaza
Ecowas Avenue

Registered office

Reliance Plaza
46 Kairaba Avenue
KSMD
The Gambia

Solicitors

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

Chairperson's statement

Distinguished Shareholders, I present to you, once again the financial statements for the year ended 31st December 2020. The scope and scale of the impact of the COVID-19 pandemic across the world has not been witnessed for over 100 years since the Spanish flu of 1918. The speed of transmissibility of the virus across continents was a further manifestation of the inter-connectedness of world aided by advances in transportation across regions. This year was the final in our strategic planning cycle 2016 to 2020, and the our strategic intentions were tested so much that our corporate purpose of changing lives, giving dignity and opportunities for the wealth creation became the anchor of our actions in these challenging times.

The protection of our employees and customers took centre stage and became the priority of the Board and Management to assure their health and safety and supporting our frontline workers and communities. As a Company, we instituted measures to observe all the WHO recommended protocols in our Offices and Branches. For our customers, in particular the most vulnerable to the effect of the pandemic, we offered repayment holidays and restructured their loans to give them a chance to survive the effects of the measures taken by government which resulted in major economic downturn during the year. These actions are a demonstration of our commitment to supporting our customers in their times of need based on confidence that we can build back better in times of normalcy and share in the prosperity.

While recognise the challenges posed by the COVID-19 including the actions taken to contain the spread of the virus and save lives. We are convinced that our medium to long term strategy of transforming our business digitally is relevant and the right one. As a company, the Board will support Management to develop our Digital Business with secure and safe channels and platforms where we can engage with our customers with reasonable and minimum human interaction but with same if not higher standards of service delivery to the in-branch channel. One of the lessons from this pandemic is that the businesses that will survive are those that adapt to the ever changing circumstances posed by changes in technological solutions, work practices, demographic evolutions and values and the creation and delivery of wealth for shareholders.

Economic environment

According to the Monetary Policy Committee Press Release of March 2021, from the Central bank of The Gambia, real GDP is estimated at 0% growth compared to an earlier projection of a 1.8% contraction premised on the fiscal stimulus, relaxation of restrictions and improvements in agricultural production. The country's gross official reserves reached US$383.21 million reflecting 6.4 months of imports in February 2021, increasing from UD$352.07 million in December 2020. The combination of this and a significant growth in remittances flows of USD579 million during the year helped to stabilize the foreign exchange rate during the year. Notwithstanding the declining monetary policy rate to 10% as at end of the reporting period, lending to the productive sector has not kept up with same pace with the industry liquidity ratio of 94% compared to 90% in December 2019. The consumer price index declined from 5.9%% in 2019 to 5.7% as at year end.

Financial performance

The company transitioned from local Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) using 2019 as the first financial year of adoption and 2020 as the first year of full reporting. Based on the IFRS reporting framework, total operating revenues recorded was GMD202 million; a YoY increase of GMD30 million or 17%. Profit before tax increased from GMD41 million to GMD51 million during the year. The company's earnings per share jumped from GMD0.62 in 2019 to GMD0.80 during the year under review, an increase of 29% YoY.

The company recorded total assets GMD1.3 billion as at 31st December; of which 83% is funded from customers' deposits which increased from GMD853 million to GMD1.108 million representing an increase of 30% YoY. The company is in compliance with all statutory capital ratios as at the end of the reporting period.

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 and most importantly provide adequate cover for risks inherent in our normal business; after compliance with the statutory and prudential capital ratios. Accordingly the Board is recommending the payment of dividend of GMD0.40 per share.

The Board has directed management to refine the capital allocation strategy to ensure compliance with the new minimum paid up capital instituted by the Central Bank of The Gambia of GMD200 million on or before 31st December 2022 while paying attention to maintaining the optimal balance between growth and returns to shareholders. We are committed to ensuring Shareholder value maximization through dividends, appreciation of share value and capital gains

Outlook

In 2021, the economy is projected to grow by 6%; predicated on a return to normal economic activities and on the recovery in the service sector through a rebound in the retail trade. The roll out of the multiple vaccines has given renewed optimism in the return to a new normal in our lives and livelihoods. The virus is also fighting back with new mutations resulting in variants that continue to pose different risks and varying uncertainties globally and regionally. The planned Presidential election in December 2021, coupled with the hosting of the Organisation of Islamic Cooperation (OIC) the following year, expectations are that there will be continued investment in infrastructure and conclusion of the major reforms of the Constitution, Civil Service, Security sector and Truth, Reconciliation and Reparations Committees based on the implementation of sound macro-economic policies and economic reforms as agreed with the developments partners such as the World Bank, International Monetary Fund and European Union.

Consequently, as a Board, we will continue our work with management to proactively position our business in this complex and ever-changing pandemic environment to ensure our strategies are agile and robust to respond to the risks and opportunities in an appropriate manner. We will also continue to give cognisance to our leadership role as a key financial institution in the country in supporting businesses and communities in these challenging times.

Acknowledgements

I will like to express my profound gratitude to the shareholders for their confidence in the Board of Directors who executed their oversight responsibilities and guided Management to deliver exceptional performance. We remain confident in the leadership and management team, who have demonstrated extraordinary resilience and character in these times of unforeseen disruptions never imagine, to steer the Company resolutely and to maintain our position as the largest Finance Company in the country. The Board also commends the Company's employees for their patience, diligence and determination, which resulted in increasing productivity and ensuring that operations continued uninterrupted. We continue to draw inspiration from our mission to continue to positively "change your lives".

Amie N. Bensouda

Chairperson of the Board of Director

Managing Director's Statement

2020 will be remembered for the COVID 19 pandemic similar in nature only to the Spanish Flu over a century ago in 1918 but with more devastating impact globally on health, economies, work and educational practices beyond everything the world has ever known and prepared for. This scope, speed of transmissibility of the virus and its scale in lives and livelihoods of mankind as a further reminder of the fact what separate us is far less than we think. To this end, there is agreement that no one is safe from the pandemic unless everyone is safe.

Early on, we established the need to reference our mission of changing lives to formulate new strategies of providing support to humanity in general and most importantly our key stakeholders employees and customers as a means of stabilising and protecting our business. We focused on preserving the capital base of the Company by through effective execution and management of the cost structure.

Our customers were a key priority right from the onset of the pandemic. We took cognisance of the fact that certain sectors would be more impacted by the pandemic due to the restrictions in movement, banning of gatherings and closure of businesses by governments to contain the spread. We offered our customers loan repayment rescheduling and also restructured where based on circumstances along with fee waivers. We are pleased to report that our strategy has paid off, with the most of the loans that were given repayment holidays paying off in full soon after the restriction were lifted and build on a strong performance. We are confident that this trend will continue and a majority of our customers will not only survive this crisis, but thrive.

Performance

The company successfully transition from local GAAP to IFRS with 2019 being the first year of adoption. During the year, customer deposits grew by 30%, testimony to the confidence in our brand, strategy and approach to support them through difficult times. Loans to customers grew marginally by GMD7 million or 3% while profit after tax also grew 17%. Net interest income remained flat at GMD90 million; a reflection of the stagnation in lending while non-funded income increased by 43% to reach GMD90 million up from GMD63 million in 2019 and contributing 45% of total income. In response to the challenging environment, we increased provisions by GMD3.8 million up from a write back of GMD5.8 million the previous year.

The company continues to be in full compliance with all the statutory and prudential ratios. The primary capital including statutory reserves stands at GMD149 million almost triple the minimum requirement of GMD50 million and 75% of the new capital taking effect in December 2022. The capital adequacy ratio for the year is 24% whereas the liquidity ratio during the year averaged 86%. The gearing ratio as at December 2020 was 7 times equity.

Business developments and strategic initiatives

The performance delivered by the Company is a validation of our proximity to our target customers and communities in providing them with the products and services that meet their requirements. While our strategy has been responsive, COVID-19 has challenged us to accelerate our technology solutions capabilities to build up our digital business in this new era of contactless customer service. We envisage that this phenomenon to be the future and will influence the way we work and conduct our business.

The introduction of self-service platforms for our customers to complement the in-branch service delivery channel for transaction service delivery and processing have become imperative to enhance our brand promise of changing lives to improve accessibility and convenience.

The size and strategic positioning of our network of branches and cash centres along with our vast knowledge and experience in the cash transfers business won us all six (6) contracts from the NaNA Safety Net Project to support 81,000 vulnerable households during the COVID pandemic covering all five (5) administrative regions which was delivered over four (4) months.

Human Resources

Despite the challenges posed by the COVID pandemic, the Reliance staff once again rose to their task of serving the customers with minimum disruption. Recommended work practices based on social distancing, sanitizing, masks wearing and hand washing including hybrid office to home remote working were implemented by Management to ensure the health of safety of our employees and customers. The Board was determined that despite these challenges as a Company we were going to guarantee the job security for all employees without subjecting them to salary freezes or reductions, while accommodating a sizeable number of employees at head office to work from home where feasible.

Outlook

We foresee a strong recovery and improvements in macroeconomic environment in 2021 and beyond based on the mass vaccinations being the most potent remedy to stem the extreme effects of the virus. However, this is based on the principle that no one will be safe until all are safe and hence will require a global and fair access to the vaccines. The Presidential elections in December 2021 will bring new opportunities as well as pose risks such as security. We will be cautious in our approach to doing business to navigate carefully the environment by capitalising on key opportunities as we observe global occurrences, local realities and their socio-economic impacts. We will work to deepen our product and service offerings as we take advantage of our emerging digital capabilities and increasing customer numbers. We will continue to pursue our commitment of deploying inclusive

finance, is a socio-economic business concept to enable people and communities to create wealth and rise out of poverty.

Acknowledgements

I wish to express my sincere appreciation to all our development finance partners UNCDF and the Whole Planet Foundation for their shared belief in the mission of Reliance in alleviating poverty using inclusive financial services as platform. We owe our commercial success to the vibrant local economies and communities in which we operate and hence would like to thank our Community Leaders, Local Councillors, and Village Development Committees for their support and cooperation.

I am grateful to the Board, Shareholders, management, staff and customers for the confidence and trust bestowed in me and for the support and guidance provided in growing the business and look forward to our collective effort in empowering and creating wealth for the communities in which we serve.

Thank you and God bless Reliance and The Gambia!

Baboucarr Khan

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Reliance Financial Services Company Limited ('the Company') for the year ended 31 December 2020.

Directors' Responsibility Statement

The directors are responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed the requirements of International Financial Reporting Standards (IFRS), the Companies Act, 2013 and other applicable laws and regulations.

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business is not a going concern.

Principal activities

The Company is licensed to operate as a microfinance company by the Central Bank of Gambia. Its principal activities comprise deposit mobilization and granting of credit to the general public. There was no change in the nature of the Company's business during the year.

Financial results

The financial results of the Company for the year ended 31 December 2020 are set out in the financial statements, highlights of which are as follows:

	2020	2019
	D	D
Profit before tax is	**51,023**	41,406
to which is deducted tax expense of	**(10,085)**	(5,874)
giving a profit/(loss) after tax for the year of	**40,938**	35,532
less transfer to statutory reserve fund of	**(10,234)**	(7,935)
Less distribution to shareholders of	**(14,723)**	(8,000)
leaving a surplus balance of	**15,981**	19,597
which when added to a balance brought forward on retained earnings of	**4,337**	3,723
gives a (deficit)/surplus balance of	**20,318**	23,320

REPORT OF THE DIRECTORS (continued)

Dividend

The Directors recommend the payment of D21,000million dividend for the year ended 31 December 2020. (2019: D14,723million).

Capacity of directors

The Company ensures that only fit and proper persons are appointed to the Board after obtaining the necessary approval from the regulator, The Central Bank of The Gambia.

Auditor

The Company's auditor, DT Associates, has expressed willingness to continue office in accordance with Section 342 (2c) of the Companies Act, 2013.

Approval of the financial statements

The financial statements of the Company were approved by the board of directors on date and were signed on their behalf by:

______________________	______________________
Name	**Name**
Managing Director	**Director**

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RELIANCE FINANCIAL SERVICES COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Gambian Dalasi)

	Note	2020	2019
Interest income	6	**112,031**	108,576
Interest expense	7	**(22,521)**	(18,308)
Net interest income		**89,510**	90,268
Fee and commission income	8	**66,118**	55,266
Other income	9	**24,357**	8,162
Operating income		**179,985**	153,696
Impairment charge	10	**(3,784)**	5,806
Depreciation and amortisation	11	**(16,093)**	(18,735)
Personnel expenses	12	**(47,499)**	(48,053)
Operating expenses	13	**(61,585)**	(51,308)
Profit before tax		**51,024**	41,406
Income tax expense	14	**(10,085)**	(5,874)
Profit for the year after tax		**40,939**	35,532
Other comprehensive income		**-**	-
Total comprehensive income for the year		**40,939**	35,532

The notes on pages 11 to 64 are an integral part of these financial statements.

	Note	2020	2019
Assets			
Cash and bank balances	15	**603,031**	253,372
Investment securities	16	**348,678**	395,683
Loans to customers	17	**255,780**	247,940
Other assets	18	**50,146**	56,165
Property and equipment	19	**73,808**	68,203
Intangible assets	20	**2,465**	3,547
Right of use assets	21	**7,469**	11,262
Total assets		**1,341,377**	1,036,172
Liabilities			
Customer deposits	22	**1,108,034**	853,254
Other liabilities	23	**35,316**	14,177
Current tax liabilities	14	**8,193**	3,750
Deferred tax liabilities	14	**692**	2,706
Borrowings	24	**27,495**	32,845
Deferred grant income	25	**-**	-
Lease liabilities	21	**12,605**	10,991
Total liabilities		**1,192,335**	917,723
Shareholders' funds			
Stated capital	26	**50,976**	50,976
Share premium	27	**11,028**	11,028
Retained earnings	28	**39,752**	23,320
Statutory Reserve	29	**41,686**	31,453
Revaluation reserve	30	**2,290**	1,672
Credit risk reserve	36	**3,310**	-
Total shareholders' funds		**149,042**	118,449
Total liabilities and shareholders' funds		**1,341,377**	1,036,172

The notes on pages 11 to 64 are an integral part of these financial statements.
The financial statements on pages 7 to 64 were approved by the Board of Directors on date and signed on its behalf by:

Name	**Name**
Managing Director	**Director**

Year ended 31 December 2020	**Stated capital**	**Share premium**	**Retained earnings**	**Statutory reserve**	**Revaluation reserve**	**Credit Risk reserve**	**Total**
Balance at 1 January 2020	**50,976**	**11,028**	**23,320**	**31,453**	**1,672**		**118,449**
Profit for the year	-	-	40,939	-	-	-	**40,939**
Total comprehensive income	-	-	-	-	-	-	-
Transactions with owners							
Dividend paid	-	-	(14,274)	-	-	-	**(14,274)**
Transfer to statutory reserves	-	-	(10,233)	10,233			-
Reserve	-	-	-	-	618	3,310	**3,928**
Balance at 31 December 2020	**50,976**	**11,028**	**39,752**	**41,686**	**2,290**	**3,310**	**149,042**

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Gambian Dalasi)

The notes on pages 11 to 64 are an integral part of these financial statements.

The financial statements on pages 7 to 64 were approved by the Board of Directors on date and signed on its behalf by

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Gambian Dalasi)

Year ended 31 December 2019	Stated capital	Share premium	Retained earnings	Statutory reserve	Revaluation reserve	Total
Balance at 1 January 2019	50,976	11,028	3,723	23,518	1,672	**90,917**
Changes on initial application of IFRS						-
Increase in impairment provisioning	**-**	**-**	**35,532**	**-**	**-**	**35,532**
Restated balance at 1 January 2019						
Profit for the year						
Total comprehensive income for the year	-	-	(7,935)	7,935	-	**-**
Transaction with owners:						
Transfer to statutory reserves						
Dividend paid	-	-	(8,000)	**-**	**-**	**(8,000)**
Total transactions with owners						
Balance at 31 December 2019	**50,976**	**11,028**	**23,320**	**31,453**	**1,672**	**118,449**

The notes on pages 11 to 64 are an integral part of these financial statements.

The financial statements on pages 7 to 64 were approved by the Board of Directors on date and signed on its behalf

STATEMENT OF CASH FLOWS

(All amounts are in Gambian Dalasi)

	Note	2020	2019
Profit before tax		**51,024**	41,406
Adjustments for:			
Depreciation and amortisation	11	**16,093**	18,735
Grant income		**-**	(145)
Interest expense on lease liability	7	**1,352**	1,296
Impairment of financial asset	10	**3,784**	(5,806)
Changes in working capital			
Decrease/ (Increase) in loans and advances		**7,840**	(99,090)
Decrease/ (Increase) in other assets		**6,019**	(17,371)
Increase in deposits from customers		**254,780**	153,037
Increase/(decrease) in other liabilities		**21,139**	2,264
		362,031	94,326
Income tax paid		**(7,656)**	(1,393)
Net cash generated from operating activities		**354,375**	92,933
Cash flow from investing activities			
Net acquisition of investment securities		**47,005**	(45,092)
Acquisition of property and equipment	19	**(24,306)**	(14,856)
Net cash absorbed/ (used) in investing activities		**22,699**	(59,948)
Cash flow from financing activities			
Net drawdown / (repayments) of borrowings	24	**(5,350)**	7,749
Dividend paid and reserve		**(18,272)**	(8,000)
Finance lease repayments	21	**(3,793)**	(3,091)
Net cash (used in)/generated from financing activities		**(27,415)**	(3,342)
Net increase in cash and cash equivalents		**349,659**	29,643
Cash and cash equivalents at 1 January	14	**253,372**	223,729

Cash and cash equivalents at the end of the year	**603,031**	253,372

1. Reporting entity

Reliance Financial Services Company Limited ('the Company') is a limited liability company incorporated and domiciled in The Gambia. The address of the Company's registered office is 46A Kairaba Avenue, P.O.Box 4645, K.S.M.D., The Gambia. The principal activities carried out by the Company include the provision of micro finance facilities in the form of loans to the general public, with the emphasis on lending to those in society with limited incomes who would not ordinarily qualify for a loan from a traditional bank. The Company also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations. Additional information required by the Companies Act, 2013 and the Non-bank Financial Institutions Act, 2016,where appropriate. These financial statements have been prepared under the historical cost convention unless otherwise stated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The financial statements are presented in Gambian Dalasi, which is the Company's functional and presentation currency. The figures shown in the financial statements are stated in Gambian Dalasi unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The disclosures on risks from financial instruments are presented in the financial risk management section in note 3.

Notes to the financial statements

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Company

The following standards, amendments and International Financial Reporting Interpretation Committee (IFRIC) interpretations were adopted by the Company for the first time for the financial year beginning on or after 1 January 2020 and have an impact on the Company's financial statements.

(i) IFRS 16 – Leases

IFRS 16 affected primarily the accounting by lessees and resulted in the recognition of almost all leases on the statement of financial position. The standard removed the current distinction between operating and financing leases and required recognition of an asset (the right-to-use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss is also affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like EBITDA changed.

Operating cash flows is higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest continues to be presented as operating cash flows.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 16% for Gambian Dalasi denominated lease liabilities. No leases were previously classified as finance lease by the Company.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2020;

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Company (continued)

(i) IFRS 16 – Leases (continued)

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	2020 '000
Operating lease commitments disclosed as at 31 December 2019	12,786
Discounted using the lessee's incremental borrowing rate	13,179
Add: additional finance lease liabilities recognised on 1 January 2020	-
Less: short-term leases not recognised as a liability	-
Less: low-value leases not recognised as a liability	-
Total lease liability recognised as at 1 January 2020	13,179
Of which are:	
Current lease liabilities	695
Non-current lease liabilities	12,484
	13,179

Measurement of right of use assets

The right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Company (continued)

(i) IFRS 16 – Leases (continued)

Adjustments recognised in the balance sheet on 1January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2020:

- right-of-use assets – increase by D 14,903
- prepayments – decrease by D 1,724
- lease liabilities – increase by D 13,179

(ii) IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

IFRIC 23 – Uncertainty over Income Tax Treatments did not have an impact on the financial statements as the Company has no uncertain tax positions.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Group

(iii) Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2019 and effective on 1 January 2020:

IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 – clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling separately recognise any changes in the asset ceiling through other comprehensive income.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.3 Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated at closing inter-bank mid rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition. Non-monetary items denominated in a foreign currency that are measured at fair value are translated at exchange rates ruling at the date when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-translation at year-end exchange rates of foreign currency denominated monetary assets and liabilities are recognised in profit or loss, except for differences on translation of equity investments in respect of which an election has been made to present subsequent changes in fair value and differences arising on translation of hold to collect and sale equity investments in Other Comprehensive Income.

All foreign exchange gains and losses recognised in profit or loss are presented net within the corresponding item. Foreign exchange gains and losses on Other Comprehensive Income items are presented in Other Comprehensive Income within the corresponding item.

2.4 Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all transaction costs, fees and points paid or received that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the written down value and not the gross amount.

2.5 Fee and commission income

Fees and commissions are recognised on an accrual basis when the related services are performed and the associated performance obligations are delivered. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognised over the commitment period. Fees and commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

2.6 Leases

The Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described below and the impact of the change in notes 7,11,18 and 21.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

Until 31 December 2020. leases of property and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Company leased various offices, branches and other premises under non-cancellable operating lease arrangements. The lease typically ran for a period of up to two years with an option to renew the lease after that date. The lease rentals were paid in advance and amortised on a straight line basis over the lease period. The outstanding balance was accounted for as a prepayment in other assets. Lease payments are increased every five years to reflect market rentals.

The Company's leasing activities and how these are accounted for under IFRS 16

The Company's leasing activities are similar to those described above. Rental contracts are typically made for fixed periods of 5 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on a rate, initially measured as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Company under IFRS 16 are not revalued.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

2.7 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.7 Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

In determining the amount of current and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

2.8 Financial assets and financial liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired (‘POCI’) financial assets – assets that are credit-impaired at initial recognition – the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

Initial recognition and measurement (continued)

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the differences are deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2.8.1 Financial assets

(i) Classification and subsequent measurement

The Company applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in ‘other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within ‘Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments (continued)

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

When this election is used, fair value gains and losses are recognised in Other Comprehensive Income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

(ii) Impairment

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.1 Financial assets (continued)

(iii) Modification of loans

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

2.8 Financial assets and financial liabilities (continued)

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8.2 Financial Liabilities

(i) Classification

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Financial liabilities measured at amortised costs are customer deposits and borrowings.

(ii) Measurement

The ‘amortised cost’ of a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.8.3 Loan commitments

Loan commitments provided by the Company are measured as the amount of the loss allowance. The Company has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument provision

However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.4 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial assets and financial liabilities (continued)

2.8.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

2.9 Collateral

The Company obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer’s assets and gives the Company a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

2.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.11 Loans to customers

Loans' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans to customers are classified as hold to collect, initially measured at fair value and subsequently measured at amortised cost.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.12 Investment securities

Investment securities are mainly fixed deposits and government bills and bonds classified as hold to collect and are initially measured at fair value and subsequently measured at amortised cost.

2.13 Deposits and debt securities

Deposits and borrowings are the Company's sources of debt funding. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits and borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

2.14 Property and equipment

a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.
Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and is recognised in other income/other expenses in profit or loss.

b) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Property and equipment (continued)

c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Useful lives for the current and comparative periods are as follows:

Office Equipment	5 years
Computer hardware	5 years
Furniture and fittings	4 years
Motor vehicles	5 years

d) Capital work in progress

Property and equipment under construction is stated at initial cost and depreciated from the date the asset is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate class of property and equipment when commissioned and ready for its intended use.

e) Derecognition

Property and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the Group from either their use or disposal. Gains or losses on derecognition of an item of property and equipment are determined by comparing the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.

2.15 Intangible assets – Software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Intangible assets with indefinite useful lives are not amortised. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.16 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.17 Employee benefits

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

c) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.18 Provisions and contingent liabilities

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events that can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations which are likely to result in an outflow to settle related classes of obligations as a whole, a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of expenditures expected to be required to settle obligations using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the obligation. The unwinding of the discount due to the passage of time should be included as part of interest expense in profit or loss.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Notes to the financial statements (continued)

2. Summary of significant accounting policies (continued)

2.19 Stated capital and reserves

a) Stated capital

The Company classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Company's stated capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

b) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

c) *Dividend on ordinary shares*

Dividends on ordinary shares are recognised in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

2.20 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 by the number of ordinary shares outstanding during the period. The Company has no convertible notes and share options, which could potentially dilute its EPS and therefore the Company's basic and diluted EPS are essentially the same.

2.21 Events after the reporting date

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year are discussed below.

a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring Expected Credit Loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

Refer to notes 17 for further details on these estimates and judgements.

b) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. Critical accounting judgements, estimates and assumptions (continued)

c) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated)

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. Financial risk management

The Company's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments.

The Company continues to assess its overall risk management framework and governance structure. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

4.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies over specified areas.

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.1 Risk management framework (continued)

The Company's risk management policies are established to identify and analyse risks faced by the Company, set appropriate risks limits and controls and monitor risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations.

The Company's risk management policies and procedures are reviewed periodically for adequacy in relation to risks faced by the Company.

4.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's bank balances, due from related parties, loans to customers and investment securities. For risk management reporting purposes, the Company considers all elements of credit risk exposure.

4.2.1 Management of credit 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 group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors. Actual exposures against limits are monitored daily.

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Company reviews the acceptability of specific classes of collateral for credit risk mitigation.

4.2.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Expected credit loss measurement (continued)

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised.

Qualitative criteria

For loan portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Expected credit loss measurement (continued)

Significant increase in credit risk (SICR) (continued)

- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow or liquidity problems such as delay in servicing of trade creditors/loans. The assessment of SICR incorporates forward-looking information and is performed on a weekly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Low Credit Risk Exemption

The Company has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2020 and 31 December 2019.

Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Expected credit loss measurement (continued)

- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Company's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for ‘stage 2’ and ‘stage 3’ exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.2 Expected credit loss measurement (continued)

Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified Gross Domestic Product (GDP) growth, xxx as the key economic variables impacting credit risk and expected credit losses for each portfolio.

- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.

The weightings assigned to each economic scenario in respect of the economic variables applied are as follows:

	2020	2019
Base case	**50%**	50%
Upside	**50%**	50%
Downside	**0%**	0%

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.3 Maximum exposure to credit risk

Credit risk exposures relating to on-balance sheet assets are as follows:

The following table shows an analysis of the exposure to credit risk of financial instruments. The Company's maximum exposure to credit risk is represented by the net carrying amounts of the financial assets as follows:

		31 December		
		2020	2019	2019
Balances with banks	15	**577,043**	232,489	198,007
Loans to customers	17	**267,233**	247,940	142,891
Investment securities	16	**348,678**	395,683	350,591
Other financial assets less prepayment	18	**47,950**	50,250	36,656
		1,240,904	926,362	728,145

The table above represents a worst case scenario of credit risk exposure to the Company at 31 December 20, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Company, 38% (2019: 38%) of the total maximum on-balance sheet exposure is derived from loans to customers and investment securities.

Credit risk exposures relating to off-balance sheet assets are as follows:

	2020	2019
Undrawn commitments	**-**	-

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.4 Analysis of credit quality

The credit quality of financial asset is managed by the Company using internal credit ratings. The Group's credit exposures were categorised under IFRS 9 as follows:

- Stage 1 – At initial recognition and no significant increase in credit risk after initial recognition
- Stage 2 – Significant increase in credit risk since initial recognition
- Stage 3 – Credit impaired

The tables below show the credit quality by class of financial assets subject to impairment and the allowance for impairment losses held by the Group against those assets.

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances with banks	577,043	-	-	**577,043**
Loans to customers	237,837	13,362	16,034	**267,233**
Investments	348,678	-	-	**348,678**
Other financial assets less prepayments	47,950	-	-	**47,950**
Gross balances	**1,211,508**	**13,362**	**16,034**	**1,240,903**
Expected credit loss provision				**(37,711)**
Net				
2019				
Balances with banks	232,489	-	-	**232,489**
Loans to customers	232,239	12,347	15,861	**260,447**
Investments	395,683	-	-	**395,683**
Other financial assets less prepayments	50,733	-	-	**50,733**
Gross Balance	**911,184**	**12,347**	**15,861**	**939,392**
Expected credit loss provision	(1,402)	(2,309)	(9,319)	(13,030)
Net	**909,782**	**10,038**	**6,542**	**926,362**

4. Financial risk management (continued)

4.2 Credit risk (continued)

4.2.5 Loss allowance

The loan impairment provision amounts recognised in the period is impacted by a variety of factors as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" of ("step down") between 12-month and Lifetime ECL.
- Financial assets derecognised during the period and write-offs of allowances related to the assets that were written off during the period.
- Additional allowances for new financial instruments recognised during the period as well as for financial instruments derecognised during the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs.

4.2.6 Collateral held and other credit enhancements, and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Company generally requests that borrowers provide it.

The Company holds collateral and other credit enhancements against some of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	**Collateral type**	**2020**	2019
Loans to customers	Landed property	-	316,762

4.2.7 Assets obtained by taking possession of collateral

The Company did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans to customers at the reporting date (2019: Nil).

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

4.3.1 Management of liquidity risk

The Company defines liquidity risks as the risk that the Company will encounter difficulty meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Company monitors its assets to ensure that it maintains optimum liquid assets in order to meet its obligations when due. The Company aims to be in position to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments.

4.3.2 Maturity analysis for financial assets and financial liabilities

The table below presents the contractual undiscounted cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by based on their contractual maturities at the reporting date.

2020	Up to 3 months	3 to 12 months	Over 1 year	Total
Customer deposits	-	-	-	**1,106,766**
Other liabilities	36,584	-	-	**36,584**
Lease liabilities	-	4,428	9,408	**13,836**
Borrowings	-	-	27,495	**27,495**
				1,184,681
Cash and bank balances	603,031	-	-	**603,031**
Loans to customers	267,233	-	-	**267,233**
Investments	348,678	-	-	**348,678**
Other financial assets	47,950	-	-	**47,950**
				1,266,892
Liquidity gap				**82,211**

4. Financial risk management (continued)

4.3 Liquidity risk

4.3.2 Maturity analysis for financial assets and financial liabilities (continued)

2019	Up to 3 months	3 to 12 months	Over 1 year	Total
Customer deposits	838,852	14,402		**853,254**
Other liabilities	14,177	-	-	**14,177**
Borrowings	-	3,471	7,520	**10,991**
	-	-	32,845	**32,845**
	853,029	**17,873**	**40,365**	**911,267**
Cash and bank balances				
Loans to customers	253,372	-	-	**253,372**
Investments	7,617	216,310	24,013	**247,940**
Other financial assets	203,990	181,693	10,000	**395,683**
	50,250	-	-	**50,250**
	515,229	**398,003**	**34,013**	**947,245**
Liquidity gap				
	(337,800)	**380,130**	**(6,352)**	**35,978**

4.4. Market risks

Market risk is the risk that changes in market prices – such as interest rates, foreign exchange rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return on risk.

Foreign exchange risk

The Company is not exposed to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Notes to the financial statements (continued)

4. Financial risk management (continued)

4.4. Market risks (continued)

Interest rate risk (continued)

The table summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

2020	**Up to 1 year**	**Over 1 year**	**Non-interest bearing**	**Total**
Cash and bank balances	603,031	-	-	**603,031**
Loans to customers	166,049	101,184	-	**267,233**
Investments	318,678	30,000	-	**348,678**
Other financial assets	47,950	-	-	**47,950**
Customer deposits				**1,106,766**
Borrowings				**27,495**
Lease liabilities				**12,484**
Other liabilities				**36,584**
Total interest repricing gap				
2019				
Cash and bank balances	187,645	65,727	-	**253,372**
Loans to customers	223,927	24,013		**247,940**
Investments	295,683	100,000		**395,683**
Other financial assets	-	-	50,250	**50,250**
	707,255	**189,740**	**50,250**	**947,245**
Customer deposits	838,852	14,402	-	**853,254**
Borrowings	-	32,845	-	**32,845**
Other liabilities	7,520	3,471	-	**10,991**
	-	-	14,177	**14,177**
	846,372	**50,718**	**14,177**	**911,267**
Total interest re-pricing gap	**(139,117)**	**139,022**	**36,073**	**35,978**

Notes to the financial statements (continued)

5. Capital management

Regulatory capital

The Central Bank of the Gambia sets and monitors capital requirements for the Company. In implementing current capital requirements, the Regulator requires the Company to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Company's policy is to maintain a strong capital base in order 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 complied with the statutory capital requirements throughout the period. There have been no material changes in the Company's management of capital during this period.

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

6. Interest income

	2020	2019
Loans to customers	**76,532**	76,748
Investment securities	**35,499**	31,828
	112,031	108,576

7. Interest expense

	2020	2019
Customer deposits	**17,160**	13,940
Borrowings	**4,009**	3,072
Lease liabilities	**1,352**	1,296
	22,521	18,308

8. Fees and commission income

	2020	2019
Remittances	**46,499**	36,099
Loan related fess	**6,550**	6,536
Others	**13,069**	12,631
	66,118	55,266

9. Other income

	2020	2019
SDF grant income (Note 25)	**-**	145
AECF grant income (Note 9.1)	**5,055**	5,152
UNCDF grant income	**1,247**	1,209
Sundry income (Note 9.2)	**18,055**	1,656
	24,357	8,162

9.1 AECF grant income

The Company has an approved grant of USD210,000 from the Africa Enterprise Challenge Fund (AECF) for a period of six months ending 31st March 2020. A disbursement of USD105,000 (GMD5,152,00) was received on the.4th December 2019 and USD105,000 (GMD5,055million) was received on the 24th March 2020 and recognised as income.

9.2 Sundry income

	2020	2019
NANA Fees	**17,894**	-
Other fees	**161**	1,656
	18,055	1,656

NAFA Quick cash distribution service was provided to National Nutrition Agency (NANA) by Reliance in July 2020. The service include delivering direct cash payments to 80,000

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

vulnerable households with monthly cash payment of GMD6,000.00 to each beneficiary household.

10. Net impairment charge on financial assets

Changes in impairment charges:		
Loans to customers	**3,784**	(5,959)
Other assets	**-**	153
	3,784	(5,806)

11. Depreciation and amortisation

Property and equipment	**12,572**	11,544
Intangible assets	**1,082**	4,122
Rights-of-use assets	**2,439**	3,069
	16,093	18,735

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

12. Personnel expenses

	2020	2019
Wages and salaries	**11,058**	3,638
Allowances including bonuses	**22,916**	22,463
Other staff costs	**13,525**	11,952
	47,499	48,053

The number of persons employed by the Company at the end of the year was **204** (2019: 217).

13. Operating expenses

	2020	2019
Printing and stationery	**3,555**	2,945
Communications cost	**6,589**	6,501
Equipment maintenance cost		-
Transport cost	**14,541**	10,565
Business promotion cost	**1,404**	3,184
Professional fees	**7,612**	6,909
Other cost	**15,318**	9,894
Office rent		-
Electricity expense	**4,991**	4,917
Cleaning	**1,410**	1,409
Rates and taxes	**1,016**	548
Security cost	**4,313**	3,311
Property insurance		128
Property maintenance	**695**	997
	61,585	51,308

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

14. Income tax expense

	2020	2019
Current income tax charge	9,393	4,832
Deferred income tax charge/(credit)	692	1,042
	10,085	5,874

The tax on the Company's profit before income tax differs from the theoretical amount that arises using the statutory tax rate as follows:

	2020	2019
Profit before income tax	49,671	41,406
Tax calculated at 27%	13,411	11,180
Tax effects of:		
Tax impact on expenses not deductible for tax purposes	(4,018)	(6,348)
	9,393	4,832

Current income taxes

Year ended 31 December 2020	At 1 January	Charged to profit or loss	Payments during the year	At 31 December
Up to 2019	3,749	-	-	3,749
2020	-	9,393	(4,949)	4,444
	3,749	9,393	(4,949)	8,193
Year ended 31 December 2019				
Up to 2018	311	-	-	311
2018	-	4,832	(1,394)	3,438
	311	4,832	(1,394)	3,749

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

14. Income tax expense (continued)

Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 27% (2019: 27%).

The movement on the deferred income tax asset account is as follows:

	2020	2019
At 1 January	**7,001**	6,875
Charge /(credit) to profit or loss	**(6,309)**	126
At 31 December	**692**	7,001

Deferred income tax assets are attributable to the following:

	At 1 January 2019	**charged to profit or loss**	**At 31 December**
Deferred income tax assets			
Property and equipment	692	692	**1,384**
Property reserve	618	-	**618**
Net deferred income tax assets	6,875	126	**7,001**

15. Cash and bank balances

	31 December		1 January
	2020	2019	2019
Cash on hand	**25,988**	20,883	25,722
Balances with other banks	**485,019**	155,093	132,917
Balances with central bank	**92,024**	77,396	65,090
	603,031	253,372	223,729

16. Investment securities

Government securities	**348,678**	395,683	350,591
Maturing over 91 days from purchase	**348,678**	395,683	350,591
	348,678	395,683	350,591

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

17. Loans to customers

		31 December	1 January
	2020	2019	2019
SME Loans	**43,286**	50,651	25,728
Micro Enterprise	**17,205**	9,577	191
Agriculture	**298**	3,642	9,520
Standard group	**166,049**	177,128	116,101
Others	**40,395**	19,449	13,565
Gross loans to customers	**267,233**	260,447	165,105
Allowance for impairment	**(11,453)**	(12,507)	(25,432)
Net loans to customers	**255,780**	247,940	139,673
The movement on impairment allowance is as follows			
At 1 January	**12,507**	22,214	28,674
Change in accounting policy – IFRS 9 adoption	-	-	-
Recoveries	**(7,297)**	(3,748)	(10,835)
(Release)/charge for the year	**6,243**	(5,959)	4,375
At 31 December	**11,453**	12,507	22,214

18. Other assets

Financial assets	**47,950**	50,250	36,656
Non-financial assets	**2,196**	5,915	3,836
	50,146	56,165	40,492
Financial assets			
Sundry receivables	**24,405**	10,547	14,706
Due from related parties	**23,545**	40,226	22,320
Allowance for impairment	**-**	(523)	(370)
	47,950	50,250	36,656
Non-financial assets			
Prepayments	**2,196**	5,915	3,836
	2,196	5,915	3,836

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

19. Property and equipment

Year ended 31 December 2019	Land and Building	Furniture and fitting	Motor Vehicle	Equipment's	Work-in-progress	Total
At 1 January	21,764	52,613	41,726	1,011	4,064	**121,178**
Additions	-	-	9,954	-	13,202	**23,156**
Transfers	-	6,154	-	-	(9,984)	**(3,830)**
Disposal	-	-	(1,290)	-	(1,048)	**(2,338)**
At 31 December	**21,764**	**58,767**	**50,390**	**1,011**	**6,237**	**138,166**
Depreciation						
At 1 January	1,386	28,967	22,082	540	-	**52,975**
Charge for the year	277	5,521	6,617	156	-	**12,571**
Disposal	-	-	(1,188)	-	-	**(1,188)**
At 31 December	**1,663**	**34,488**	**27,511**	**696**	**-**	**64,358**
Carrying amount	**20,101**	**24,279**	**22,878**	**315**	**6,237**	**73,808**

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

Year ended 31 December 2019	Land and Building	Furniture and fitting	Motor Vehicle	Equipment's	Work-in-progress	Total
At 1 January	21,764	41,611	33,376	1,011	8,560	106,322
Additions	-	6,686	7,505	-	665	14,856
Transfers	-	4,316	845	-	(5,161)	-
At 31 December	21,764	52,613	41,726	1,011	4,064	121,178
Depreciation						
At 1 January	1,117	23,308	16,624	382	-	41,431
Charge for the year	269	5,659	5,458	158	-	11,544
At 31 December	1,386	28,967	22,082	540	-	52,975
Carrying amount	20,378	23,646	19,644	471	4,064	68,203

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

20. Intangible assets

Cost	31 December 2020	2019	1 January 2019
At start of year	**16,020**	16,020	16,020
Additions	**-**	-	-
At end of year	**16,020**	16,020	16,020
Amortisation			
At start of year	**12,473**	8,351	5,965
Charge for the year	**1,082**	4,122	3,836
At end of year	**13,555**	12,473	9,801
Net book amount			
At 31 December	**2,465**	3,547	7,669

21 Leases

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts in relation to leases;

Right-of-use assets	2020	1 January 2020
Office premises	**7,469**	11,262
Lease liabilities		
Current	**3,197**	3,471
Non-current	**9,408**	7,520
Total	**12,605**	10,991

(ii) Amounts recognised in the statement of profit or loss

The statement of comprehensive income shows the following amounts in relation to leases;

	2020	1 January2020
Depreciation charge of right-of-use of assets – Office premises	**3,173**	3,069
Interest expense on lease liabilities	**1,352**	1,296

Lease payments during the year amount to D 3,793

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

22. Customer deposits

	31 December		1 January
	2020	2019	2019
Savings	**1,089,864**	838,852	684,114
Fixed deposits	**18,170**	14,402	16,103
	1,108,034	853,254	700,217

23. Other liabilities

Accruals	**9,161**	8,572	9,847
Due to Money Transfer Organisations	**1,186**	1,261	1,710
Other payables	**24,969**	4,344	356
	35,316	14,177	11,913

24. Borrowings

AECF repayable Grant	-	11,445	3,696
Whole Planet Foundation	**27,495**	21,400	21,400
	27,495	32,845	25,096

Africa Enterprice Challenge Fund (AECF)

The Africa Enterprise Challenge Fund (AECF) is a special parternship initiative of 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, the Company 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).

24. Borrowings (continued)

Round 1 for a total sum of USD1 million, comprising a USD400,000 and USD600,000 non-repayable and repayable grants respectively. The repayable grant of USD600,000 is interest free.

Repayment is based on quarterly equal instalments of USD75,000 commencing in March 2017 for two (2) years.

As per the grant agreement signed in February 2013, the Company's obligation is to match the above USD1 million with counterpart funding of USD 1.136 million comprising of an overdraft line of USD500,000, cash contribution of USD300,000 SDF loan of USD200,222 and in-kind contributions of USD135,778 from January 2013 and 31 December 2015.

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

Whole Planet Foundation

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 communities around the world that supply whole foods market stores with products.

In September 2015 Reliance was approved a loan of USD500,000 in local currency for on-lending capital to support post-pilot growth of women finance loan produces over three (3) years by adding 5,000 new borrowers to the Company's Women Finance portfolio in Central River Region South. The Loan is interest free, unsecured and the final disbursement of USD200,000 was received in 2017.

Repayment is based on the Gambian Dalasi equivalent of three installments of USD100,000, USD 200,000 and USD 200,000 on January 2019, October 2019 and June 2020 respectively. On 28 December 2018, the repayment dates for all these three installments were deferred to 31 July 2020 based on an addendum to the original agreement and on the same terms and conditions.

25. Grant Income

At start of year	-	145	291
Release to income		145	(146)
At end of year		-	145

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

26. Stated capital

	Number of shares		Proceeds	
	2020	2019	**2020**	2019
Authorised:				
Ordinary shares	**90,000**	90,000	**90,000**	90,000
Issued and fully paid:				
Ordinary shares at par value	**50,976**	50,976	**50,976**	50,976

There is no liability and no call or instalment unpaid on any share. There is no share in treasury.

27. Share premium

The share premium represents excess of the value of fixed assets used to purchase shares of the Company as initial capital

28. Retained earnings

Retained earnings represents the residual of cumulative annual profits that are available for distribution to shareholders.

29. Statutory reserve

Statutory reserve represents amounts set aside as a non-distributable reserve from annual profits in accordance with Section 20 of the Non-bank Financial Institutions Act, 2016.

30. Revaluation reserve

Revaluation reserve represents fair value gains on valuation of property and equipment

31. Contingent liabilities and commitments

Legal proceedings

There are no legal proceedings against the Company (2019: Nil)

Capital commitments

At the reporting date, Company had no capital commitments (2019: Nil)

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

32. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

Key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Company. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Reliance Financial Services Limited

Transactions with key management personnel

Emoluments, pensions and other compensation of key management personnel and director fees was D9,215 (2019: 8,051).
The Company's loans advanced to key management personnel as at year end was GMD11,966 (2019: D8,113).
The Company transacted the following business with the parent and associated companies:

Transactions with associated companies are as follows.

Associated companies

Other related party transactions were as follows:

	2020	2019
Head Office rent - Alhajie Cherno Jallow	**1,434**	954
Legal fees - Amie Bensouda & Co.	**265**	1,308
	1,699	2,262

Notes to the financial statements (continued)

All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

33. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	**2019**
Profit attributable to equity holders	**40,939**	26,568
Weighted average number of ordinary shares	**50,796**	50,796
Basic and diluted earnings per share	**0.81**	0.52

There is no potential dilution on basic earnings per share.

34. Regulatory Capital

The Central Bank of The Gambia sets and monitor capital requirements for the Non-Bank Financial Institutions (NBFI). In implementing current capital requirements, The Central Bank of The Gambia requires the NBFI to maintain a prescribed ratio of total capital to total risk-weighted assets. The NBFI calculates this ratio using the risk weightings for credit risk provided by the Central Bank of The Gambia. The NBFI is also required to maintain a credible capital plan to ensure that the capital level of the NBFI is maintained in consonance with its risk appetite. The NBFI'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 NBFI 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 stakeholder confidence and to sustain future development of the organization. The impact of the level of capital on shareholders' return is also recognized and the company recognizes 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:

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

34. Regulatory Capital

	31 December 2020	31 December 2019
Ordinary share capital	**50,976**	50,976
Share premium	**11,028**	11,028
Capital reserve	**41,686**	31,453
Retained earnings	**39,752**	23,320
	143,442	116,777
Total risk weighted assets	**587,661**	450,400
Capital ratios	**24%**	26%

35. Comparison between IFRS and regulatory provision

Below is a summary of the difference between provisions on loans and advances per the prudential guidelines and the IFRS 9 expected credit loss provision.

	2020	2019
IFRS 9 expected credit loss provision	**11,453**	12,507
Provision per CBG prudential guidelines	**(14,763)**	(9,680)
Excess of CBL provisions over IFRS 9 impairment	**3,310**	-

36. Shareholding structure

	Number of shares	
Shareholder	**2020**	2019
Amie Ndoungou Bensouda	**20,539,933**	20,539,933
Baboucarr Khan	**11,549,913**	11,549,913
Cherno Jallow	**8,431,050**	8,431,050
Ebenezer Sunday Olufowose	**5,097,604**	5,097,604
Abdou A.B Njie	**1,649,135**	1,649,135
Abdoulie Cham	**1,458,398**	1,458,398
Employees	**2,250,000**	2,250,000
	50,976,033	50,976,033

37. Subsequent events

Notes to the financial statements (continued)
All amounts are in thousands of Gambian Dalasi (D) unless otherwise stated

The World Health Organization characterized the spread of Covid-19 as a pandemic on 11 March 2020. The directors envisage that the increasing spread of Covid-19 and the necessary containment measures being taken will impact the economy and the Company. The directors are however not able to reliably estimate the impact on the Company at this point. The directors not aware of any other material events that have occurred between the yearend date and the date of this report.