**Central Bank of The Gambia**

# Annual Report and Financial Statements

for the year ended 31 December 2014

## Contents

# Financial Highlights

| | 2010<br>D'000 | 2011<br>D'000 | 2012<br>D'000 | 2013<br>D'000 | **2014**<br>**D'000** | **Increase/ (Decrease) 2014v2013** |
|---|---|---|---|---|---|---|
| Net (deficit)/ surplus for the year | (65,146) | (47,674) | (738) | 44,947 | **(99,412)** | (144,359) |
| *Structure of Total Assets* | | | | | | |
| Foreign currency cash balances and deposits | 1,847,256 | 2,373,202 | 3,142,857 | 3,619,925 | **2,142,012** | (1,477,913) |
| Receivable from IMF | 62,114 | 69,310 | 71,349 | 81,258 | **93,109** | 11,851 |
| Investment in securities | 4,918,082 | 5,332,623 | 5,689,811 | 7,072,821 | **8,270,174** | 1,197,353 |
| Loans and advances | 261,171 | 49,577 | 62,348 | 61,643 | **1,633,708** | 1,572,065 |
| Other assets | 340,576 | 358,393 | 307,999 | 334,712 | **482,441** | 147,729 |
| Intangible assets | 25,371 | 50,320 | 83,839 | 43,451 | **71,460** | 28,009 |
| Property, plant and equipment | 332,063 | 328,366 | 330,578 | 360,473 | **419,791** | 59,318 |
| *Structure of Equity and reserves* | | | | | | |
| Share capital and other reserves | 105,315 | 105,315 | 331,688 | 628,275 | **569,957** | (58,318) |
| Retained earnings | 221,586 | 173,913 | 173,174 | 218,121 | **118,709** | (99,412) |
| *Structure of Total Liabilities* | | | | | | |
| Currency in circulation | 2,436,394 | 2,700,503 | 3,183,810 | 3,635,453 | **3,908,642** | 273,189 |
| Deposits of Government and financial institutions | 2,857,845 | 3,063,578 | 3,041,637 | 3,738,833 | **4,700,617** | 961,784 |
| Long term loan from IMF | 2,053,454 | 2,397,848 | 2,894,712 | 3,325,008 | **3,686,923** | 361,915 |
| Other payables | 112,039 | 120,635 | 63,760 | 28,592 | **127,847** | 99,255 |

# General information

| | | |
|---|---|---|
| **Executive Director** | Mr. Amadou A. Colley | Governor & Chairman |
| **Non Executive Directors** | Mr. Mustapha A.B. Kah | Director |
| | Permanent Secretary - Ministry of Finance and Economic Affairs (MOFEA) | Director |
| | Mr. Benjamin J. Carr | Director |
| | Mr. Rene Geoffrey Renner | Director |
| **Audit Committee** | Mr. Mustapha A.B. Kah | Chairman |
| | Mr. Benjamin J. Carr | Member |
| | Mr. Rene Geoffrey Renner | Member |
| | Mr. Momodou B. Mboge | Secretary |

| | |
|---|---|
| **First Deputy Governor** | Mr. Basiru A.O. Njai |
| **Second Deputy Governor** | Mrs. Oumie Savage Samba |
| **Director of Finance** | Mr.Ousainou Corr |
| **Secretary** | Mr. Momodou B. Mboge |
| **Auditors** | PKF<br>Accountants and business advisers<br>33 Bijilo Layout Annex<br>Bijilo |
| **Bankers** | Bank of England<br>International Monetary Fund<br>Federal Reserve Bank of New York<br>Banque De France<br>Bank of International Settlements<br>Standard Chartered Bank Plc<br>Union Des Banque Arabes Et Francaise<br>Credit Suisse<br>Deutsche Bundesbank<br>Crown Agents<br>Banco Santander |
| **Registered office** | 1-2 Ecowas Avenue<br>Banjul<br>The Gambia |

# Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2014.

## Statement of Directors' responsibilities

The Central Bank of The Gambia Act 2005 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the bank and of its net profit or loss for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank and to enable them to ensure that the financial statements comply with the Central Bank of The Gambia Act 2005. They are also responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Principal activities

Central Bank of The Gambia was established to carry on business in accordance with the constitution and the provisions of the Central Bank of The Gambia Act 2005 with the following objectives:

- achieve and maintain price stability;
- promote and maintain the stability of the currency of The Gambia;
- direct and regulate the financial, insurance, banking and currency system in the interest of the economic development of The Gambia; and
- encourage and promote sustainable economic development and the efficient utilization of the resources of The Gambia through the effective and efficient operation of a financial system.

In achieving the above objectives, the bank is allowed to perform the following functions:

- formulate and implement monetary policy aimed at achieving the objectives of the bank;
- promote, by monetary measures, the stabilization of the value of the currency within and outside The Gambia;
- institute measures which are likely to have a favourable effect on the balance of payments, the state of public finances and the general development of the national economy;
- license, regulate, supervise and direct the financial system and ensure the smooth operation of the financial system;
- promote, regulate and supervise payment and settlement system;

- issue and redeem the currency notes and coins of The Gambia;
- licence, regulate and supervise non banking financial institutions;
- act as banker and financial advisor to the Government and guarantee Government loans;
- promote and maintain relations with international banking and financial institutions and subject to the Constitution or any other relevant enactment, implement international monetary agreements to which The Gambia is a party;
- own, hold and manage its official international reserves;
- promote the safe and sound development of the financial system including safeguarding the interest of depositors;
- collect, analyse and publish statistical data; and
- do all other things that are incidental and conducive to the efficient performance of its functions under the Act.

## Results for the year

Results for the year are as presented in the accompanying financial statements.

## Employees

The number of employees and the cost associated with these employees is as detailed in note 19.

## Donations

The bank made charitable donations amounting to D383,000 during the year. (2013: D292,350).

## Directors and directors' interest

The directors who held office during the year are shown on page 3.

The Central Bank Act requires Non-Executive Directors to serve a maximum term of 2 years so far as possible and that not more than one director's term of office shall expire in any one year. A director shall be eligible for reappointment.

## Auditors

The National Audit Office is mandated to appoint the Bank's auditors. PKF has been appointed for a further one year period to report on the 31st December 2014 financial year.

## By order of the board of directors

**Secretary**

Dated this 31st day of March 2015

# Independent Auditor's Report
## To the Members of Central Bank of The Gambia

We have audited the accompanying financial statements of Central Bank of The Gambia, which comprise the statement of financial position as at 31st December 2014, the statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Directors' Responsibility for the financial statements***

The directors are responsible for the preparation and the fair presentation of these financial statements in accordance with the Central Bank of the Gambia's Act 2005, International Financial Reporting Standards issued by the International Accounting Standard Board and for such internal controls as the Directors determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

**Basis for Qualified Opinion: conflict between International Financial Reporting Standards and the Central Bank of The Gambia Act 2005**

In preparing the financial statements in accordance with International Financial Reporting Standards, the following conflict with the requirements of Central Bank of The Gambia Act 2005 was noted:

- International Financial Reporting Standard IAS 21; The Effects of Changes in Foreign Exchange Rates requires that exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period shall be recognised in the Statement of Comprehensive Income in the period in which they arise. However, net unrealized foreign exchange loss of D58.318 million arising from converting the bank's monetary assets and liabilities denominated in foreign currency were accounted for through equity in the statement of financial position, in accordance with section 9 (1) of the Central Bank of The Gambia Act 2005, which requires such effects of changes in foreign currency to be excluded from the statement of comprehensive income.

**Qualified Opinion: Non compliance with International Financial Reporting Standards**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the bank as of 31st December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Central Bank of The Gambia's Act 2005.

**PKF**
*Accountants and business advisers*
*Registered Auditors*
*Bijilo, The Gambia*
Date: **31st March 2015**

## Statement of financial position

*as at 31st December 2014*

| | Notes | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|---|
| **Assets** | | | |
| Foreign currency cash balances and deposits | 4 | **2,142,012** | 3,619,924 |
| Receivable from IMF | 5 | **93,109** | 81,258 |
| Investment in securities | 6 | **8,270,174** | 7,072,821 |
| Loans and advances | 7 | **1,633,708** | 61,643 |
| Other assets | 8 | **482,441** | 334,712 |
| Property, plant and equipment | 9 | **419,791** | 360,473 |
| Intangible assets | 10 | **71,460** | 43,451 |
| **Total assets** | | **13,112,695** | 11,574,282 |
| **Liabilities** | | | |
| Currency in circulation | 11 | **3,908,642** | 3,635,453 |
| Deposits of Government and financial institutions | 12 | **4,700,617** | 3,738,833 |
| Long term loan from IMF | 13 | **3,686,923** | 3,325,008 |
| Other payables | 14 | **127,847** | 28,592 |
| **Total liabilities** | | **12,424,029** | 10,727,886 |
| **Equity and reserves** | | | |
| Share capital | | **100,000** | 100,000 |
| General reserve | | **5,315** | 5,315 |
| Retained earnings | | **118,709** | 218,121 |
| Revaluation reserve | | **464,642** | 522,960 |
| **Total equity and reserves** | 15 | **688,666** | 846,396 |
| **Total equity and liabilities** | | **13,112,695** | 11,574,282 |

These financial statements were approved by the board of directors on 31st March 2015 and were signed on its behalf by:

............................ Governor

Amadou Lamb ............................ Deputy Governor

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

The attached notes form part of these financial statements.

# Statement of comprehensive income

*for the year ended 31st December 2014*

| | Notes | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|---|
| Interest income | 16 | **525,564** | 292,803 |
| Interest expense and other similar expense | 17 | **(1,596)** | (7,744) |
| **Net interest income** | | **523,968** | 285,059 |
| Other income | 18 | **21,946** | 9,890 |
| **Total operating revenue less interest expense** | | **545,914** | 294,949 |
| **Operating expenses** | | | |
| Personnel cost | 19 | **(83,808)** | (66,959) |
| General and administration expenses | 20 | **(204,628)** | (146,143) |
| Depreciation | 10 | **(27,444)** | (15,920) |
| Amortisation | 9 | **(27,617)** | (17,322) |
| Impairment of financial assets | | **(1,829)** | (3,658) |
| Impairment of investment in Keystone Bank | 6a | **(300,000)** | - |
| **Total operating expenses** | | **(645,326)** | (250,002) |
| **Net (deficit)/ surplus for the year** | | **(99,412)** | 44,947 |

The attached notes form part of these financial statements.

## Statement of changes in equity

*for the year ended 31st December 2014*

| | Share Capital D'000 | Other Reserves D'000 | Revaluation reserves D'000 | Retained Earnings D'000 | Total D'000 |
|---|---|---|---|---|---|
| Balance as at 1 January 2013 | 100,000 | 5,315 | 226,373 | 173,174 | 504,862 |
| Surplus for the year | - | - | - | 44,947 | 44,947 |
| Exchange gain | - | - | 296,587 | - | 296,587 |
| Balance at 31 December 2013 | 100,000 | 5,315 | 522,960 | 218,121 | 846,396 |
| **Balance as at 1 January 2014** | **100,000** | **5,315** | **522,960** | **218,121** | **846,396** |
| Deficit for the year | - | - | - | **(99,412)** | **(99,412)** |
| Exchange loss | - | | **(58,318)** | - | **(58,318)** |
| **Balance at 31 December 2014** | **100,000** | **5,315** | **464,642** | **118,709** | **688,666** |

The attached notes form part of these financial statements.

## Statement of cash flows

*for the year ended 31st December 2014*

| | Notes | 31st December 2014 D'000 | 31st December 2013 D'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net (deficit)/ surplus from operations | | **(99,412)** | 44,947 |
| Depreciation and amortisation | | **55,061** | 33,242 |
| Interest income | | **(525,564)** | (292,803) |
| Interest expense | | **1,596** | 7,744 |
| Revaluation (losses) /gains | | **(58,318)** | 296,587 |
| | | **(626,637)** | 89,717 |
| Increase in receivable from IMF | | **(11,851)** | (9,909) |
| (Increase)/ decrease/ in loans and advances | | **(1,572,065)** | 705 |
| (Increase)/ decrease in other assets | | **(62,241)** | 35,045 |
| Increase/ (decrease) in provisions and other liabilities | | **99,255** | (35,168) |
| Increase in deposit of Government and Financial Institutions | | **961,784** | 697,196 |
| Increase in currency in circulation | | **273,189** | 451,643 |
| **Cash (absorbed by)/ generated from operations** | | **(938,566)** | 1,229,229 |
| Interest paid | | **(1,596)** | (7,744) |
| Interest received | | **440,076** | 231,045 |
| **Net cash (outflows)/ inflows from operating activities** | | **(500,086)** | 1,452,530 |
| **Cash flows from investing activities** | | | |
| Purchase of securities | | **(1,197,353)** | (1,383,010) |
| Acquisition of property, plant and equipment | *9 & 10* | **(141,305)** | (22,749) |
| Fair value adjustment | *9* | **(1,083)** | - |
| **Net cash used in investing activities** | | **(1,339,741)** | (1,405,759) |
| **Cash flows from financing activities** | | | |
| Long term loan from IMF | | **361,915** | 430,296 |
| **Net cash from financing activities** | | **361,915** | 430,296 |
| **Net (decrease)/ increase in cash and cash equivalents** | | **(1,477,912)** | 477,067 |
| Cash and cash equivalents at 1 January | | **3,619,924** | 3,142,857 |
| **Cash and cash equivalents at 31 December** | | **2,142,012** | 3,619,924 |

The attached notes form part of these financial statements.

**Notes** (forming part of the financial statements)

## 1. Statute and Principal Activities

Central Bank of The Gambia ("the Bank") was established in 1971 by Government of The Gambia under the Central Bank of The Gambia Act 1971(superseded by the Central Bank of The Gambia Act 1992 and the Central Bank of The Gambia Act 2005 "the Act"). The registered office is: 1-2 Ecowas Avenue, Banjul, The Gambia.

The principal objectives of the bank are to regulate the issue, supply, availability and international exchange of money, promote monetary stability, and promote sound financial structure and credit exchange conditions conducive to the orderly and balanced economic development of the country. The responsibilities of the Bank also include acting as the banker for the commercial banks, government departments and for government projects and the issuing of currency notes and coins.

In accordance with the Act, the Board of directors determines the monetary policy, the instruments for its implementation and decides on the Bank's monetary policy operations. The Bank ensures the implementation of the monetary policy mainly by using the following instruments- base interest rate, issues of treasury bills and other Gambian government bonds, direct purchase or direct sale of government securities and foreign exchange operations, overnight refinancing and overnight money withdrawing operations, minimum reserves requirements and the exchange rate regime for the country. The Bank ensures the administration of foreign exchange reserves especially by means of financial operations related to securities denominated in foreign currencies, acceptance of loans from foreign entities, purchase of foreign currency from banks and branches of foreign banks, and financial transactions with foreign currencies.

All the costs necessary for the Bank's activities are covered from its revenues or from transfers of Redeemable Interest- Bearing Notes issued by The Gambia Government. Over the accounting period the Bank generates either a profit or a loss. Profits generated is allocated to the reserve fund and to other profit reserves, or used to settle losses from previous years. The remaining profit is transferred to the Consolidated Revenue fund (CRF) as stipulated in Section 8 (5) of the Act. The Bank may settle the loss for the current period from the reserve fund or from other reserves; alternatively, the Board may decide to transfer the outstanding loss to the next accounting period. The bank is expected to submit an annual report on its financial results to the National Assembly of The Gambia, within six months of the end of the calendar year.

As a member, The Bank is also obliged to certain reporting requirements of the International Monetary Fund (IMF) under the terms of various agreements with the IMF under the current Poverty Reduction Growth Facility (PRGF) and Extended Credit Facility (ECF) program through a Technical Memorandum of understanding (TMU).

During the year ended 31st December 2014, the Bank's executive and non-executive directors were as follows:

| | |
|---|---|
| *Executive Director:* | |
| Mr. Amadou Colley | Governor; |
| *Non- Executive Directors:* | |
| Mr. Mustapha A.B. Kah | Director; |
| Mr. Banjamin Carr | Director; |
| Permanent Secretary MOFEA | Director; |
| Mr. Rene Geoffrey Renner | Director. |

## 2. Basis of preparation

### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and current interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the Central Bank of The Gambia Act 2005. A material departure from the provisions of IFRS in the financial statements as a result of compliance with the provisions of the Central Bank of The Gambia Act 2005 is disclosed in note 21.

The financial statements were approved by the Board of Directors on 31st March 2015.

### 2.2 Basis of measurement

The financial statements are presented in Dalasi which represents the functional currency of the Bank, being the currency of the economic environment in which the Bank operates, rounded to the nearest thousand. The financial statements have been prepared under the assumption that the Bank will continue as a going concern.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value and the option chosen by the Bank to revalue certain items of property to fair value.

### 2.3 Use of estimates and judgement

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 3 (k) and 24.

## 3. Significant Accounting Policies

The following accounting policies have been approved by the Board and have been applied consistently to all periods presented in the financial statements in dealing with items that are considered material in relation to the Bank's financial statement.

### a) Revenue Recognition

**Fair value gains and losses**

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss, as well as any interest receivable or payable, is included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognized directly in equity, until the financial assets derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in the income statement.

**Dividend received**

Dividends are recognized in the income statement when the Bank's right to receive payment is established.

### b) Interest income and expense

Interest income and expense on available-for-sale assets and financial assets or liabilities held at amortized cost are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future receipts or payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability. Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognized in the income statement in the period they arise.

## c) Fees and commission

Fees and commission income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management fees, sales

Commission, placement and arrangement fees and syndication fees are recognised as the related services are performed. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

## d) Foreign currency

Transactions in currencies other than Dalasi are recorded at the rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to Dalasi at the rates prevailing on the date. Non- monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are recognised directly in the revaluation reserve account.

## e) Special drawing rights and International Monetary Fund Related Activities

Receivables from and liabilities to the International Monetary Fund ('IMF'), excluding any long-term interest- bearing borrowings, are stated at their nominal amounts using the net method, i.e. receivables and liabilities are offset. Interest- bearing borrowings from the IMF are recorded as a financial liability under the amortised costs method.

## f) Financial assets

### (i) Classification of financial assets and liabilities

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available- for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit and loss, which are initially measured at fair value.

### (ii) Financial assets at fair value through profit and loss

The Bank has no financial assets classified as fair value through profit and loss.

### (iii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables include loans to government which are recorded at amortised costs.

**(iv) Held to maturity investment**

Instruments with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Foreign treasury bills, Gambia Government Bonds and foreign deposits placements are recognised as Held-to-maturity investments and are recorded at amortised cost using the effective interest method, less any impairment, with revenue recognised on an effective yield basis.

**(v) Available for Sale financial assets (AFS)**

Subscriptions to associate regional institutions such as the ECOWAS second Monetary zone (WAMZ) through its implementing Agency WAMI (equity contributions) are recorded at cost as there is no active market or reliable basis to determine their fair value. However during the year, the Bank reviewed their carrying value based on the currency (US Dollar) in which they are held in accordance with Section 9 (1) of the CBG Act 2005.

Equity investments made to Africa Export Import Bank and Africa Re-insurance are classified as AFS and recorded at cost as these equity investments are not publicly traded and the Bank has assessed that there is no reasonable basis for estimating their fair value. However, these investments are held in foreign currencies and the Directors have applied Section 9(1) of the CBG Act 2005 to their carrying value are the current rate of exchange.

Dividends on these equity instruments are recognised in the income statement when the Bank's right to receive the dividends are established.

**(vi) Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**(vii) De-recognition of financial assets**

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

**(viii) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on amounts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

## g) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**De-recognition of financial liabilities**

The Bank de-recognises financial liabilities when, and only when, the Bank's obligations are discharged, Cancelled or they expire.

## h) Loans and advances

Loans and advances originated by the Bank are classified as loans and receivables. Loans and advances are stated in the statement of financial position at the estimated recoverable amounts in accordance with note f (iii) above.

The recoverable amounts of loans and advances are the present value of expected future cash flows, discounted at the instruments' original effective interest rate.

## i) Securities

### (i) Domestic securities

Domestic securities consist of Government of The Gambia redeemable and negotiable interest bearing securities. These securities are classified as held to maturity and are stated in the statement of financial position at cost.

### (ii) Foreign securities

This represents interest bearing short-term instruments with fixed maturities held with correspondent banks. These securities are stated at amortized cost.

### (iii) Long Term Government securities

This represents interest bearing securities issued by the Government of The Gambia to cover the Bank in respect of net exchange losses arising on holdings of Foreign Securities recognized in the Revaluation Account in accordance with Section 9 (1) of the Central Bank of The Gambia Act, 2005. The interest bearing securities are stated at cost to fairly present the substance of these securities.

## j) Equity Shares and participation Interest

Equity investments are classified as available-for-sale financial assets and measured at fair value after initial recognition. Where the fair value of these investments cannot be reliably measured, they are stated at cost less provision for impairments.

## k) Property, plant and equipment

### (i) 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 labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment ("PPE") have different useful lives, they are accounted for as separate items (major components) of PPE.

Properties in the course of construction for rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank' accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leasehold land (right to use of land) is now recognised as PPE and transferred from intangible assets carried at cost less accumulated depreciation. Leasehold land is depreciated over 99 years.

The regional initiative through the establishment of a modern payment system infrastructure for the West African Monetary Zone through a grant from the AfDB, the Bank is recognising the whole of the grant over the depreciable useful life and the depreciation expenses is recognised corresponding to the useful lives of the assets.

At each reporting date, the Bank reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in income statement.

**(ii) 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 Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the income statement as incurred.

**(iii) Depreciation**

The estimated useful lives of property, plant and equipment and intangible fixed assets are as follows:

| | *Number of Years* |
|---|---|
| Buildings | 100 |
| Furniture and equipment | 10 |
| Office machines | 5 |
| Computer equipment | 5 |
| Vehicles | 5 |
| Computer software | 5 |
| Right to use land | 99 |

Residual values and estimated useful lives are assessed on an annual basis. Surpluses or deficits on the disposal of property and equipment are recognised in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

## l) Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in the statement of comprehensive income 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 four years.

In recognition of the grant from AfDB on the modernization of the payment system infrastructure, the development cost related to the project is correspondingly to the useful lives of the depreciable assets provided by the grant.

## m) Deposits

This is mainly made up of government, commercial banks and other financial institutions' deposit accounts. They are categorized as other financial liabilities carried in the statement of financial position at cost.

## n) Employee benefits

The Bank operates a defined benefit scheme which provides benefits based on final pensionable pay. The Bank's obligation for contribution to the scheme is recognized as an expense in the income statement. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The calculation is performed by a qualified actuary using the projected unit credit method. Changes in the present value of the plan liabilities are recognized in the income statement. When the calculation results in a benefit to the Bank, the recognized asset is limited to the net total of any unrecognized actuarial losses, unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

**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 recognized for the amount expected to be paid under Short-Term cash bonus or profit-sharing plans if the Bank 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.

**o) Currency in circulation**

The Bank administers the issue of bank notes and coins and their withdrawal from circulation. Currency in circulation represents the Bank's liability arising from issued bank notes and coins. The liability is decreased by the Bank notes and coins in the Bank's cash desk. The liability due to currency in circulation is stated at face value.

The stock of currency notes and coins are amortised when issued into circulation and the proportionate cost is recognised as an expense through the statement of comprehensive income. The stock is issued on a first in first out basis and cost is determined based on the value of the order including cost of insurance and freight. The receipt of new notes and coins are recorded in the vault register as an off balance sheet item to account for the movement of stock through receipts and issues of notes and coins. The Bank creates an asset when payment is made to the printing and minting firms, which forms part of the stock of currency notes and coins.

**p) Provisions**

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flow at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**q) Cash and cash equivalent**

Cash and cash equivalents include foreign currency notes and foreign currency deposits, unrestricted balances held with foreign banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used in the management of short-term commitments.

## 4. Foreign currency cash balances and deposits

| | **31st December 2014 D'000** | 31st December 2013 D'000 |
|---|---|---|
| USD deposits | **313,013** | 1,031,355 |
| EUR deposits | **257,275** | 1,280,077 |
| GBP deposits | **201,994** | 6,444 |
| SDR deposits | **1,309,935** | 1,254,088 |
| Other deposits | **9,920** | 16,906 |
| Foreign currency cash balance held | **49,875** | 31,054 |
| | **2,142,012** | 3,619,924 |

Foreign currency deposits are primarily held with foreign central banks.

## 5. Receivable from IMF

| | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|
| Receivables: | | |
| IMF quotas (deposits of Dalasi currency at IMF) | **1,917,626** | 1,669,448 |
| Payables: | | |
| IMF account 1 | **(1,818,650)** | (1,583,082) |
| IMF account 2 | **(5,867)** | (5,108) |
| | **93,109** | 81,258 |

The Bank is a member of the International Monetary Fund (IMF) and a designated fiscal agent and the depository for the IMF's holdings of local currency. The IMF quota receivable holdings of SDR of GMD1, 917,626,000 (2013: SDR 31,100,000). IMF local holdings equivalent to SDR GMD1, 818,650,000 (2013: SDR 29,493,770) and SDR of GMD5, 867,000 (2013: SDR 95,154) are held in the IMF's No.1 and No. 2 liability accounts respectively. These are deposit accounts of the IMF with Central Bank of The Gambia.

## 6. Investments in securities

| | 31st December 2014 D'000 | 31st December 2013 D'000 |
|---|---|---|
| **Current** | | |
| *Held- to- maturity investments carried at amortised cost:* | | |
| US Treasury bills | - | - |
| Fixed term investment Euro | **678,202** | 382,433 |
| Fixed term investment USD | **1,598,494** | 1,453,833 |
| Fixed term investment GBP | **463,326** | 449,786 |
| Gambia Government treasury bills | **3,277,582** | 2,451,399 |
| Gambia Government Al Salam | - | - |
| | **6,017,604** | 4,737,451 |

| | | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|---|
| **Non-current** | | | |
| *Held- to- maturity investments carried at amortised cost:* | | | |
| Redeemable Interest-Bearing Notes | | | |
| 6.5% Gambia Government Bond | | **1,577,608** | 1,639,228 |
| 6% 10 Year Gambia Government Bond | | **125,269** | 146,449 |
| | | **1,702,877** | 1,785,677 |
| ***Available- for- sale investments carried at fair value or cost*** | | | |
| 5% Gambia Government Bond | | **250,000** | 250,000 |
| Equity investments | | **299,693** | 299,693 |
| Keystone Bank | *6a* | **300,000** | - |
| | | **849,693** | 549,693 |
| 100% provision for impairment on Keystone Bank investment | | **(300,000)** | - |
| | | **549,693** | 549,693 |
| | | **8,270,174** | 7,072,821 |

The Bank held Gambia Government treasury bills and Sukuk Al Salam to maturity as at 31st December 2014 of D3,277 million (2013: 2,451 million).

*5% Government Bond*

Financing of D250 million was provided for an economic recovery programme with IMF in the mid eighties. Interest is applied half yearly every June and December. The Bond is held in perpetuity and may be redeemed in whole or in part at any time.

*Redeemable Interest-Bearing Notes*

Under section 9(4) of the Act, the Government of The Gambia is required to issue and grant Redeemable Interest Bearing Notes to the Bank in the amount of the net loss incurred for the year for exchange rate revaluations of monetary assets and liabilities. These grants are recognised as income in the year the loss is incurred in order to match them with the related costs. If the Bank makes a gain on revaluation, in accordance with section 9(5) of the Act the Notes are redeemed in the amount of the gain and are recorded as an expense in the period that the gain is recognised at the year end. The RIBN has been fully redeemed in accordance with CBG Act 2005.

*6.5% Government Bond*

An agreement was signed in September 2010 for a period of 30 years. The Initial amount of the bond was D1.825 billion with a tenor of 30 years. Interest is paid half yearly in March and September.

*6% 10 Year Government Bond*

There is a signed agreement with Government of The Gambia for a period of 10 years. Initial financing of D208 million was provided as Bridge loan in the event that European Union (EU) support is not received. Interest is applied half yearly that is June and December.

*Available for sale investments include the following equity investments:*

a. Shareholding in Africa Export- Import Bank for an amount of D11.292 million (2013: D11.292 million), representing 0.13% holding.
b. Shareholding in Africa Re-insurance Company Limited for an amount of D57.726 million (2013:D57.725 million) representing 0.62% holding.
c. Shares in West African Central Bank for an amount of D186.218 million (2013: 186.218 million) representing 6.6% holding. Interest accrued on this investment has been applied against the final instalment payment towards the capital of the proposed West African Central Bank.

These equity investments which were recorded at cost have now been reviewed and carried at fair value. Since the investments are held in foreign currencies, the directors have decided that the investments should be adjusted with effects of movements in exchange rates to factor impairment arising if the investments were liquidated at the end of the reporting period

*6a Keystone Bank*

In May 5, 2014, Central Bank of the Gambia (CBG) took over Keystone Bank (Gambia) Limited (KSB) and subsequently recapitalized the bank in the amount of D300 million, partly to enhance its risk bearing capacity and partly to ensure continuity of operations as a going concern. CBG then re-organized it, with the objective of creating a stronger, more efficient and competitive bank, which will contribute to economic growth and financial stability and thereafter disposes of its interest. The re-organization plan was approved by the Board of Directors and consequently KSB was divided into a good and bad bank.

KSB, the good bank was renamed MegaBank Gambia Limited (MBGL) and is continuing banking business as usual. However the certificate from the Ministry of Justice authorizing the change of name is pending. KSB transferred non-performing loans amounting D694.3 million to the newly created entity named Keystone Asset Management Company (KAMCO) Gambia Limited (the bad bank) on interest free credit on 31st December 2014. The loan is expected to be repaid by KAMCO over a two year period with three months grace period from 1st January 2015. KSB released the provisions charged on the non performing loans, writing them back. Provisions made prior to 2014 were written back to retained earnings whilst those relating to 2014 written back to income statement of the year.

An impairment review on the investment was carried out at the yearend using the unaudited financial statements of KSB and the results of the review indicated that there was objective evidence of a change in value of assets. Therefore 100% provisioning is made on the Investment.

## 7. Loans and advances

| | 31st December 2014 D'000 | 31st December 2013 D'000 |
|---|---|---|
| **Current** | | |
| Loans to Gambia Government | **1,550,230** | - |
| Loans to Financial Institutions | **13,756** | 13,155 |
| Impairment losses | **(9,146)** | (7,316) |
| | **1,554,840** | 5,839 |
| **Non-current** | | |
| Staff loans | **78,868** | 55,804 |
| | **78,868** | 55,804 |
| | **1,633,708** | 61,643 |

## 8. Other assets

| | 31st December 2014 D'000 | 31st December 2013 D'000 |
|---|---|---|
| **Current** | | |
| Stock of notes not yet issued | **291,201** | 121,105 |
| Commemorative coins | **1,230** | 1,230 |
| WAMZ Payment System | - | 40,554 |
| Accrued interest receivables | 93,794 | 75,925 |
| Prepayments | **2,989** | 1,270 |
| VAT Receivable | **4,582** | 1,401 |
| | 393,796 | 241,485 |
| Provision for VAT irrecoverable | **(4,582)** | - |
| | **389,214** | 241,485 |

| | 31st December 2014 D'000 | 31st December 2013 D'000 |
|---|---|---|
| **Non-current** | | |
| WAMI stabilisation fund | **93,227** | 93,227 |
| | **93,227** | 93,227 |
| **Total** | **482,441** | 334,712 |

The West African Monetary Zone (WAMZ) payment system represents the bank's counterpart funding under the modernisation of the payment system in the WAMZ implemented by WAMI at a cost of USD 23 million which is funded from the African Development Bank (AfDB) through a grant. The carrying amount has now been transferred to development cost under intangibles to correspond with the depreciable assets provided under the grant.

The WAMI Stabilization & Cooperation Fund relates to contribution made by the Bank towards the eventual realisation of the proposed West African Central Bank (WACB) under the Second Monetary Zone (WAMZ) under the ECOWAS Single currency program.

## 9. Property, plant and equipment

| | Leasehold land | Buildings at fair value as deemed costs | Furniture & Equipment | Motor Vehicles | Computer Equipment | Work in progress | Total |
|---|---|---|---|---|---|---|---|
| | D'000 | D'000 | D'000 | D'000 | D'000 | D'000 | D'000 |
| **Cost / Fair value at deemed cost** | | | | | | | |
| At the beginning of the year | 25,000 | 321,851 | 41,182 | 31,045 | 31,179 | - | 450,257 |
| Additions | - | - | 4,137 | 15,174 | 1,493 | 1,220 | 22,024 |
| Transfers | - | - | - | - | - | - | - |
| Fair value adjustment for deemed cost | | - | - | 41 | - | - | 41 |
| **At 31 December 2013** | 25,000 | 321,851 | 45,319 | 46,260 | 32,672 | 1,220 | 472,322 |
| Additions | - | 2,851 | 29,283 | 8,169 | 44,268 | 1,108 | 85,679 |
| Transfers | - | - | - | - | - | - | - |
| Fair value adjustment for deemed cost | - | - | - | - | - | - | - |
| **At 31 December 2014** | **25,000** | **324,702** | **74,602** | **54,429** | **76,940** | **2,328** | **558,001** |
| **Depreciation and impairment** | | | | | | | |
| At the beginning of the year | 1,500 | 25,764 | 33,872 | 29,046 | 21,667 | - | 111,849 |
| Charge for the year | 250 | 1,306 | 6,865 | 6,536 | 12,487 | - | 27,444 |
| Other (Disposal) | - | - | - | (1,083) | - | - | (1,083) |
| **At 31 December 2014** | **1,750** | **27,070** | **40,737** | **34,499** | **34,154** | - | **138,210** |

## 9. continued - Property, plant and equipment

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Carrying value** | | | | | | | |
| **At 31 December 2014** | **23,250** | **297,632** | **33,865** | **19,930** | **42,786** | **2,328** | **419,791** |
| At 31 December 2013 | 23,750 | 296,087 | 11,447 | 17,214 | 11,005 | 1,220 | 360,473 |

MAJ CONSULTS, an independent appraiser, re-valued the administrative building as of September 2008. Their revaluation was based on the observed asset conditions and asset replacement cost by reference to market evidence of recent transactions for similar properties and replacement cost estimation methodologies. Replacement cost estimates are based on estimated cost of Equivalent Assets (EA) and estimating the residual asset value from the EA cost, useful life and age of existing assets (Depreciated Replacement Cost Methodology). On the basis of the September valuation, management of the Bank estimated that the fair value of the building as at 31 December 2012 will not be significantly different.

Rights of use of land were acquired as leasehold land for a period of 99 years and have been re-valued as at date of transition to IFRS. The fair value of these rights now represent the deemed costs for the rights of use of land. The valuation was performed by an independent appraiser together with the valuation of the administrative building. Refer to note 10. The previous carrying amount of these rights represented a nominal amount.

Since an impairment review was carried out in financial year 2011, the directors estimate that the carrying value is not materially different from the current carrying value of property, plant and equipment.

## 10. Intangible assets

| | Software | WAMZ Payment Systems | Work In Progress | Total |
|---|---|---|---|---|
| | D'000 | D'000 | D'000 | D'000 |
| **Cost** | | | | |
| At the beginning of the year | 63,832 | - | - | **63,832** |
| Additions | 5,000 | 50,626 | - | **55,626** |
| Transfer | - | - | - | - |
| **At 31 December 2014** | **68,832** | **50,626** | - | **119,458** |
| **Amortisation** | | | | |
| At the beginning of the year | **20,381** | - | - | **20,381** |
| Charge for the year | **17,491** | **10,126** | - | **27,617** |
| **At 31 December 2014** | **37,872** | **10,126** | - | **47,998** |
| **Carrying value** | | | | |
| **At 31 December 2014** | **30,960** | **40,500** | - | **71,460** |
| At 31 December 2013 | 43,451 | - | - | 43,451 |

The West African Monetary Zone (WAMZ) payment system represents the bank's counterpart funding under the modernisation of the payment system in the WAMZ implemented by WAMI at a cost of USD 23 million which is funded from the African Development Bank (AfDB) through a grant.

## 11. Currency in circulation

The liability for currency in circulation represents that part of the Bank's activity which relates to the issuing of notes and coins to the general public amounting to D3,908,642 (2013: D3,635,453). Changes in the level of the liability are mainly influenced both by the Government's fiscal policies and monetary policies of the Bank.

| | 31st December 2014 D'000 | 31st December 2013 D'000 |
|---|---|---|
| Breakdown as follows: | | |
| Notes in Circulation | **3,860,036** | 3,591,045 |
| Coins in Circulation | **48,467** | 44,269 |
| Gold & Silver coins | **139** | 139 |
| | **3,908,642** | 3,635,453 |

## 12. Deposits of Government and financial institutions

| | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|
| Deposits of Government and financial institutions comprise: | | |
| Deposits of commercial banks | **2,112,671** | 1,747,112 |
| The Gambia Government deposits | **2,377,045** | 1,950,806 |
| Other deposits | **210,901** | 40,915 |
| | **4,700,617** | 3,738,833 |
| Deposits in Dalasi | **3,736,252** | 2,834,189 |
| Deposits in foreign currency | **964,365** | 904,644 |
| | **4,700,617** | 3,738,833 |

As stipulated under the provisions of the Central Bank of The Gambia Act 2005, one of the principal objectives of the Bank are acting as banker and adviser to the Government. Relying on this provision, the Bank received deposits which represent all receipts accruing to the Government through the consolidated revenue fund (CRF) account. The Bank also facilitates the

operation of the Government's cash management system through the Treasury main account (TMA) as the expenditure account with maintenance holding accounts which fund the TMA.
Commercial banks' deposit also includes their minimum required reserves. Currently, commercial banks are required to maintain 14% of their total demand deposits as a minimum reserve requirement.

Deposits accounts (The Gambia Government and Commercial Banks) do not bear interest and are repayable on demand, except for the minimum reserve requirement of the commercial banks.

## 13. Long term loan from IMF

Interest- bearing borrowings from the IMF include amounts for the Gambia's Poverty Reduction Growth Facility (PRGF) and the Extended Credit Facility (ECF) in the amount of SDR 30.1 million (2013:SDR 32.2 million). The Bank repaid SDR2.1 million under the Extended Credit Facility during the year.

The PRGF and the ECF are repayable in 26 instalments of SDR 0.2 million, 19 instalments of SDR 0.511 million, 10 instalments of SDR 1.995, 10 instalments of SDR 0.233 and 10 instalments of SDR0.933 and 10 instalment of SDR 0.1555. (2013: 34 instalments: SDR 0.2 million 20 instalments: SDR 0.511 million, 10 instalments: DR 0.1995 10 instalment of SDR 0.233, 10 instalment of SDR 0.933 and 10 instalment of SDR 0.1555) respectively. Final instalment repayment is scheduled in 2023. The Gambia reached HIPC initiative decision point in December 2000 and qualified for debt relief in December 2007. On 31 December 2007, the IMF Executive Board approved a relief of SDR 9.4165 million for the Gambia representing PRGF loan balance due under the PRGF facility. This amount was classified under provisions and other liabilities which have now been fully disbursed to government in 2011. The IMF Board extended through to December 2014 the waiver granted since January 2010, on the interest charges on all concessional loans as a result of the global meltdown.

On the other hand, as a response to the Global crises, the IMF also increased members' SDR allocation in August 2009 in order to finance the impact of the crises. The Gambia's original SDR 5.12 million allocations have been increased by SDR 24.65 million resulting in total allocations of SDR 29.77 million. Quarterly charges are levied and payable to the IMF on an average annual interest rate of 0.43 % (2013:0.07%). The SDR allocations have no specific maturity dates.

The PRGF amount has the following repayment schedule:

| | 31st December 2014 D'000 | 31st December 2013 D '000 |
|---|---|---|
| Within 1 year | **130,164** | 109,517 |
| After 2 years | **241,552** | 206,514 |
| After 3 years | **267,601** | 229,687 |
| After 4 years | **326,485** | 281,502 |
| 5 years and after | **885,623** | 899,839 |
| | **1,851,425** | 1,727,059 |
| SDR allocations | **1,835,498** | 1,597,949 |
| | 3,686,923 | 3,325,008 |

## 14. Other payables

| | | | |
|---|---|---|---|
| **Current** | | | |
| Accrued interest payable | | **5,718** | 6,144 |
| Provisions and other liabilities | | **66,457** | 41,947 |
| AfDB Grant (deferred income) | *14a* | **48,078** | - |
| | | **120,253** | 48,091 |
| **Non-current** | | | |
| Provisions and other liabilities | | **7,594** | (19,499) |
| **Total** | | **127,847** | 28,592 |

14a) This represents grant received from African Development Bank (AfDB) in respect of projects completed at the year-end. This amounts which are deferred to the following period, relate to the modernization of the payment system implement by West African Monetary Institute (WAMI) for The Gambia, Sierra Leone, Guinea and Liberia.

## 15. Share capital

| | 31st December 2014 D'000 | 31st December 2013 D '000 |
|---|---|---|
| ***Share capital*** | | |
| | **100,000** | 100,000 |

Share capital represents contributions by the sole shareholder (The Government of The Gambia) and may not be distributed under the CBG Act 2005. The authorised share capital of the Bank is one hundred million dalasis.

| | | |
|---|---|---|
| ***General Reserve Fund*** | | |
| | **5,315** | 5,315 |

The General Reserve Fund, the use of funds which is subject to the Central Bank Act rules. Under this Act, any net loss incurred by the Bank under the accounting standards of the Act shall be charged to the General Reserve Fund. In cases where the General Reserve Fund is inadequate to cover the entire amount of the loss, the balance of the loss shall be carried forward under retained earnings or accumulated losses.

| | | |
|---|---|---|
| ***Revaluation Reserve*** | | |
| | **464,642** | 522,960 |

The Revaluation Reserve includes profits or losses arising from the revaluation of the Bank's assets and liabilities in gold, special drawing rights or foreign securities as a result of a change in the par value of the dalasis or any change in the par value of the currency unit of any country. The use of the account is in line with Section 9 of the CBG Act 2005.

| | | |
|---|---|---|
| ***Retained Earnings*** | | |
| | **118,709** | 218,121 |

Retained earnings include amounts resulting from the revaluation of certain items of property, plant and equipment and intangible assets under the adoption of IFRS for the first time. These amounts do not represent statutory reserves and are therefore not subject to the requirements of the Act and are therefore not distributable.

## 16. Interest income

| | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|
| Interest and other similar income consists of: | | |
| Interest on Government Bonds | **507,814** | 264,962 |
| Interest on USD deposits | **9,724** | 19,580 |
| Interest on EUR deposits | **2,544** | 2,629 |

| | | |
|---|---|---|
| Interest on GBP deposits | **4,273** | 4,649 |
| Interest on other foreign currency deposits | **1,209** | 893 |
| Other interest income | - | 90 |
| | **525,564** | 292,803 |

## 17. Interest expense

| | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|
| Interest and other similar expense for the year ended consists of: | | |
| Interest on IMF loan | **(1,596)** | (1,468) |
| Commission to primary dealers | - | (6,276) |
| | **(1,596)** | (7,744) |

## 18. Other income

Other income comprises of:

| | | |
|---|---|---|
| Gain on sale of investment | **1,159** | 3,849 |
| Miscellaneous income | **6,207** | 5,928 |
| Sale of commemorative coins | **54** | 54 |
| Other operating income | **2,470** | 24 |
| Rental income | **37** | 35 |
| AfDB Grant amortised (see note 14a) | **12,019** | - |
| | **21,946** | 9,890 |

## 19. Staff numbers and cost

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

| | Number of employees 2014 | 2013 |
|---|---|---|
| Directors and Management Staff | **19** | 20 |
| General Staff | **262** | 256 |
| | **281** | 276 |

The aggregate payroll costs of these persons were as follows:

| | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|
| Salaries | **49,612** | 35,476 |
| Transport allowances | **12,901** | 10,981 |
| Contribution to provident fund | **3,261** | 2,721 |
| Professional allowances | **2,689** | 2,514 |
| Other pension costs | **8,332** | 7,482 |
| Other | **7,013** | 7,785 |
| | **83,808** | 66,959 |

## 20. General and administrative expenses

General and administration expenses comprises of:

| | | |
|---|---|---|
| Contributions to regional organisations | **42,313** | 34,375 |
| Currency printing cost amortisation | **50,467** | 35,102 |
| Training expenses | **22,554** | 14,906 |
| Travel and transport operating expenses | **15,881** | 17,223 |
| Software license fees | **27,732** | 12,382 |
| Telecommunication expenses | **3,308** | 3,063 |
| Other costs and expenses | **42,373** | 29,092 |
| | **204,628** | 146,143 |

## 21. Exchange rate gains and losses

Exchange rate gains and losses can be summarised as follows:

| | 31st December 2014 D '000 | 31st December 2013 D '000 |
|---|---|---|
| Net exchange rate differences on foreign currency deposits | **(249,027)** | 190,171 |
| Net exchange rate differences on foreign currency on IMF | **286,633** | 148,937 |
| Net exchange differences on SDR accounts with IMF | **(95,924)** | (42,521) |
| | **(58,318)** | 296,587 |

As stated in note 3 (d) the net unrealised foreign exchange loss of D58.318 million was set-off against the brought forward amount of D522.960 million since there were no outstanding Interest Bearing Notes issued by Government of The Gambia in previous years as shown in the statement of change in equity

## 22. Taxation

Under section 70 of the Central Bank of The Gambia Act 2005, the Bank is exempt from payment of income taxes. However the Income and Value Added Tax Act 2012 which became effective in January 2013 supersedes section 70 of the Central Bank of The Gambia Act as a result of which the Bank is now liable to Value Added Tax (VAT). Pending the outcome of negotiations with Ministry of Finance & Economic Affairs on exemptions to be granted to the Bank, a total amount of D4.582 million (2013:D1.08 million) of VAT paid is classified under miscellaneous assets. A 100% provision has been made in respect this receivable amount.

## 23. Provisions and other liabilities

Provisions and other liabilities include Pension fund reserves of D80.456 million in line with the actuarial valuation carried as at 31 December 2013. The Directors estimated that the next valuation shall be carried out in 2015. The cost of the plan assets invested in Treasury bills amounts to D91.07 million (face value D108 million). The IAS 19 disclosure requirements are as detailed below.

**Amounts recognized in the statement of financial position**

| | 31st December 2014 D'000 | 31st December 2013 D '000 |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation | **115,594** | 80,456 |
| Fair value of plan assets end of the year | **(108,000)** | (99,955) |
| Recognised plan liability/ asset | **7,594** | (19,499) |

**Movement in the statement of financial position**

| | 2014 | 2013 |
|---|---|---|
| Opening net liability | **(19,499)** | 16,513 |
| Net contribution during the year | **(8,045)** | (45,946) |
| Interest earned on plan asset | **32,535** | - |
| Net expenses recognized in Income Statement | **8,332** | 16,081 |
| Settlements - Payment directly to members | **(5,729)** | (8,877) |
| Transitional effects | - | 2,730 |
| Closing net liability/ asset | **7,594** | (19,499) |

| | 31st December 2014 D'000 | 31st December 2013 D '000 |
|---|---|---|
| **Net expense recognised in the statement of comprehensive income** | | |
| Current service cost | **6,310** | 5,392 |
| Interest earned on plan asset | **(10,498)** | - |
| Interest cost on defined benefit obligations | **12,520** | 10,689 |
| | **8,332** | 16,081 |
| **Reconciliation of present value of the defined benefit obligation** | | |
| Opening balance | **80,456** | 70,522 |
| Current service cost | **6,310** | 5,392 |
| Interest cost | **12,520** | 10,689 |
| Interest earned on plan assets | **22,037** | - |
| Actuarial losses/ gains | - | 2,730 |
| Settlements benefits paid | **(5,729)** | (8,877) |
| | **115,594** | 80,456 |
| **Reconciliation of fair value of plan assets** | | |
| Opening balance | **99,955** | 54,009 |
| Contributions by employer | **8,045** | 45,946 |
| | **108,000** | 99,955 |

The Bank contracted Muhanna and Co Limited based in Nicosia, Cyprus a qualified actuary to calculate the obligation for the purposes of the 31st December 2013 financial statements and as a follow up to the actuarial valuation done as at 31st December 2009.

The report of the actuarial valuation revealed an unfunded liability of D40,840 million. However, based on the actuarial valuation the directors increased the actuarial value of past service cost to D144.03 million (D125.3 million) after recognizing interest cost at 10% and current service cost at 5% resulting in a estimated unfunded liability of D28.44 million. Therefore the Directors decided to recognize the unfunded liability by maintaining the banks contribution as 19.3% of basic salaries plus additional level allocation of D4,115,000 over fifteen years. The directors estimate that with the current investment of the funds at average Treasury bill rate, the Bank should be able to fully fund the pension fund under the existing arrangement. Consequently the directors recommend another actuarial valuation during 2015.

The plan asset investment is in treasury bills valued at D108 million was made during the year maturing in 2015.

**Key assumptions used**

Assumptions used based on last valuation of December 2013.

Mortality and pre-retirement is determined based on:

**Distribution of active members by age**

| | **Number** | Number |
|---|---|---|
| 20 - 25 | **4** | 3 |
| 25 - 30 | **34** | 26 |
| 30 - 35 | **47** | 40 |
| 35 - 40 | **48** | 49 |
| 40 - 45 | **55** | 44 |
| 45 - 50 | **37** | 38 |
| 50 - 55 | **38** | 35 |
| 55 - 60 | **26** | 26 |
| 60 – 65 | | 4 |
| 65+ | | |

**Distribution of pensioner members by age**

| | **Number** | Number |
|---|---|---|
| 35 - 40 | **3** | 3 |
| 40 - 45 | **7** | 7 |
| 45 - 50 | **6** | 11 |
| 50 - 55 | **11** | 12 |
| 55 - 60 | **13** | 21 |
| 60 - 65 | **16** | 15 |
| 65 - 70 | **11** | 8 |
| 70 - 75 | **7** | 4 |
| 75 - 80 | - | - |

**Employees / members by sex**

| | **Number** | **Average age** | **Average Years of Service** | **Total Monthly Salaries (GMD)** | **Average Monthly Pension (GMD)** |
|---|---|---|---|---|---|
| Male | 174 | 43.4 | 12,7 | 1,582.153 | 7.083 |
| Female | 100 | 41.9 | 12,2 | 746.440 | 7.511 |
| **Total** | **274** | **61.1** | **12,5** | **2,328.593** | **8, 499** |

**Pensioners by sex**

| | Number | Average age | Total Monthly Pensions (GMD) | Average Monthly Pension (GMD) |
|---|---|---|---|---|
| Male | 27 | 61.1 | 178.219 | 4.817 |
| Female | 44 | 61.0 | 110.474 | 2.511 |
| **Total** | **81** | **61.1** | **288.693** | **3,564** |

| | |
|---|---|
| Discount rate | 5% |
| Inflation rate | 5% |
| Salary scales used | |
| Expected rate of return on plan assets | 9% |
| Salary scales used | |
| Expenses | Nil |
| Expected rate of return on plan assets | 9% |

| | | |
|---|---|---|
| Life expectancy of Pensioners at age 60 | Men (19.5) | Women (20.9) |
| Life expectancy of current employees at age 60 | Men (20.9) | Women (22.2) |

**Sensitivity Analysis**

A sensitivity test was carried out to check the behaviour of the main results of the valuation with relation to a series of future foreseeable changes on the parameters that most elastically affects the solvency of the Fund. The scenarios tested were as follows:

- Scenario 1: Increase of the discount rate by 1 percentage unit;
- Scenario 2: Decrease of the discount rate by 1 percentage unit;
- Scenario 3: Increase the percentage of the table of mortality by 10 percentage units;
- Scenario 4: Decrease the percentage of table of mortality by 10 percentage units;
- Scenario 5: Zero discount rate.

Further tests were carried out with respect to changes in inflation assumption and salary increase assumptions of the Fund. The tests carried out did not result to any significant deviations in the values of the Actuarial Liability and the NCR from the basic result.

## 24. Financial Instruments

### 24.1 Capital risk management

The bank manages its capital to ensure that it fulfils its role as the Central Bank of The Gambia by applying appropriate structures, systems and procedures. These structures, systems and procedures evolve continuously in response to changes in the financial and economic environment in which the bank operates. An integral part of the Bank's strategy is to maintain its equity under the requirements of the Act which ensures that the Government makes grants of Redeemable Interest Bearing Notes to cover losses from revaluation of monetary assets and liabilities denominated in foreign currencies.

The capital structure of the Bank consist of deposits of the Government and minimum reserves of the commercial banks and the long- term loan obtained from the IMF, deposits of the Bank in foreign banks, foreign cash held at the bank and equity, comprising share capital, reserves and retained earnings as disclosed in Note 15 .

## 24.2 Gearing ratio

The Bank's board of directors reviews the capital structure on an annual basis, as ensured by the requirement of the government to grant Interest- Bearing notes to cover losses relating to foreign currency denominated monetary assets and liabilities.

The gearing ratio at the year-end was as follows:

| | | |
|---|---|---|
| Debt (i) | **8,515,387** | 7,192,388 |
| Equity (ii) | **688,666** | 846,396 |
| Debt to equity ratio (times) | **12.37** | 8.50 |

(i) Debt comprises all liabilities excluding currency in circulation.

(ii) Equity comprises all capital, retained earnings and reserves of the Bank.

The increase was mainly from the net income from the previous financial year which improved shareholders' funds resulting in the absorption of accumulated losses.

## 24.3 Categories of financial instruments

| | 31st December 2014 D'000 | 31st December 2013 D '000 |
|---|---|---|
| **Financial assets** | | |
| Held-to-maturity investments | **7,720,481** | 6,523,128 |
| Loans and receivables (including cash and cash equivalents) | **4,258,161** | 4,097,537 |
| Available-for-sale financial assets | **549,693** | 549,693 |
| | **12,528,335** | 11,170,358 |
| **Financial liabilities** | | |
| Liabilities at amortised value | **1,851,425** | 1,727,059 |
| Other liabilities | **10,572,342** | 9,000,827 |
| | **12,423,767** | 10,727,886 |

## 24.4 Financial risk management objectives

The Bank's board monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include operational risk, market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Bank does not engage in any derivative financial instruments to hedge these risk exposures. The use of financial derivatives is govern by the Bank's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non- derivative financial instruments. Compliance with policies and exposure limits is reviewed by the internal auditors on continuous basis. The bank does not enter into or trade financial instruments, including derivatives financial instruments, for any purpose.

## 24.5 Operational risk

This is the risk of loss due to factors such as inadequate systems, management failure, ineffective controls, misappropriation, human errors or other external events. The bank is strengthening its risk management capabilities through the formation of an enterprise Risk Management framework currently being developed and deployed during the current year.

## 24.6 Market risk

The Bank's activities expose it primarily to the financial risk of changes in foreign currency exchange rate and interest rates. The Bank does not manage its exposure to interest rate and foreign currency risk except for the government grants of Interest-bearing redeemable notes to cover foreign currency exchange rate losses on monetary assets and liabilities.

## 24.7 Foreign currency risk management

Exchange rate exposures are covered through the government grant or redemption of redeemable Interest- bearing notes to cover losses or to offset gains relating to exchange rate differences on monetary assets and liabilities.

The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **31st December 2014 D'000** | 31st December 2013 D'000 | **31st December 2014 D'000** | 31st December 2013 D'000 |
| EUR | - | - | **933,361** | 1,669,555 |
| USD | - | - | **1,940,047** | 2,503,560 |
| GBP | - | - | **672,206** | 461,868 |
| SDR | **3,686,923** | 3,325,008 | **1,309,935** | 1,254,088 |
| Other | | - | **9,920** | 16,908 |

| | | | |
|---|---|---|---|
| **3,686,923** | 3,325,008 | **4,865,469** | 5,905,979 |

## 24.8 Foreign currency sensitivity analysis

The Bank is mainly exposed to the USD, EUR, GBP and IMF SDR currencies.

The following table details the Bank's sensitivity to a 5% increase and decrease in the Dalasi against the USD, EUR and GBP currencies respectively. +-5% is tolerable sensitivity rate used when reporting foreign currency risk internally to the Board and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A negative number below indicates an increase in exchange loss where the Dalasi weakens 5% against the relevant currency for assets and an increase in exchange gains for liabilities. For a 5% strengthening of the Dalasi against the relevant currency, there would be an equal and opposite impact on the exchange gains and the balances below would be negative for asset and positive for liabilities.

| | USD impact | | Euro impact | | GBP impact | | SDR Impact | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Exchange gain/(loss) | **(97,002)** | (125,178) | **(46,668)** | (83,479) | **(33,610)** | (23,093) | **118,8491** | 103,546 |

### Currency

| **Currency** | **Exchange rate** |
|---|---|
| European Union | 56.41 |
| United States | 45.28 |
| Great Britain | 71.12 |
| Switzerland | 45.17 |
| SDR | 61.66 |

## 24.9 Interest rate risk management

The bank is exposed to interest rate risk as it borrows funds primarily from the IMF at fixed interest rates. The Bank does not enter into any derivatives transactions to manage its exposure to interest rate risk.

The Bank's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

## 24.10 Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure of the Bank primarily to interest rates on assets and liabilities at the date (comprising primarily foreign currency deposits with foreign commercial and central banks, Redeemable interest-bearing Notes, the 5% Gambia Government bond and the IMF long interest bearing borrowing. for floating rate assets, the analysis is prepared assuming the amount of asset outstanding at the end of the reporting was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to the Board of Directors and represents the Bank's assessment of the reasonably possible change in the interest rates. However, the current Global financial crisis has made it much more difficult to predict interest rate movements. There is a general decline in interest rate in developed economies which encourages more borrowing with a view to stimulate their economies. Considering that interest rates are at their lowest-virtually zero and negative in the Euro Zone, the near term outlook is that it will remain the same at least for now.

The Net Income for the year ended 31 December 2014 would therefore not increase as a result of interest rate (2013: D47.04 million) since rates are virtually at zero. This is mainly attributable to the Bank's exposure to interest rates on its variable rate deposits with foreign commercial and Central Banks and the IMF long-term interest- bearing borrowings which are currently at their lowest.

## 24.11 Other price risks

The bank is not exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes in regional bodies for the purpose of facilitating the harmonisation and integration of Central Banks in the Africa sub-region and promotion of intra regional trade. The Bank does not actively trade in these investments.

## 24.12 Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Bank. Given the nature of the Bank's role and responsibility, transactions are made with the Gambia Government, other Central Banks and with reputable foreign commercial banks. Therefore, the Bank's credit risk exposure is mitigated with acceptable levels of the Bank's risk management policy. The carrying amount of financial assets recorded in the financial statements as at 31 December 2014 represents the Bank's maximum exposure to credit risk. The bank risk appetite is risk averse and its priority is liquidity and safety.

**Foreign currency cash balances and deposits**

**2014**

*USD deposits*

| Current accounts | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Standard Chartered | 52,656 | 52,656 | USD | none | AA- |
| UBAF | 73 | 73 | USD | none | A- |
| Federal Reserve | 260,284 | 260,284 | USD | none | n/a |
| | 313,013 | 313,013 | | | |

*Euro deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Banque de France | 133,048 | 133,048 | Euros | none | n/a |
| BIS | 6,212 | 6,212 | Euros | none | n/a |
| UBAF | 86,332 | 86,332 | Euros | none | A- |
| Deutsche Bundesbank | 31,683 | 31,683 | Euros | none | n/a |
| | 257,275 | 257,275 | | | |

*GBP deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Standard Chartered London | 199,610 | 199,610 | GBP | none | AA- |
| Bank of England | 2,384 | 2,384 | GBP | none | n/a |
| | 201,994 | 201,994 | | | |

*SDR deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| International Monetary Fund | 1,309,935 | 1,309,935 | SDR | none | n/a |
| | 1,309,935 | 1,309,935 | | | |

*Other deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Standard Chartered London | 353 | 353 | CHF | none | AA- |
| BIS | 9,567 | 9,567 | CHF | none | n/a |
| | 9,920 | 9,920 | | | |

*Foreign currency cash balance held*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| GBP | 5,224 | 5,224 | GBP | none | n/a |
| USD | 39,973 | 39,973 | USD | none | n/a |
| Euros | 4,678 | 4,678 | Euros | none | n/a |
| | 49,875 | 49,875 | | | |

**2013**

*USD deposits*

| Current accounts | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Standard Chartered | 17,873 | 17,873 | USD | none | AA- |
| UBAF | 262,703 | 262,703 | USD | none | A- |

| | | | | | |
|---|---|---|---|---|---|
| Federal Reserve | 750,779 | 750,779 | USD | none | n/a |
| | 1,031,355 | 1,031,355 | | | |

*Euro deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Banque de France | 1,012,510 | 1,012,510 | Euros | none | n/a |
| BIS | 5,996 | 5,996 | Euros | none | n/a |
| UBAF | 81,213 | 81,213 | Euros | none | A- |
| Deutsche Bundesbank | 180,358 | 180,358 | Euros | none | n/a |
| | 1,280,077 | 1,280,077 | | | |

*GBP deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Standard Chartered London | 4,086 | 4,086 | GBP | none | AA- |
| Bank of England | 2,358 | 2,358 | GBP | none | n/a |
| | 6,444 | 6,444 | | | |

*SDR deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| International Monetary Fund | 1,254,088 | 1,254,088 | SDR | none | n/a |
| | 1,254,088 | 1,254,088 | | | |

*Other deposits*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Standard Chartered London | 7,785 | 7,785 | CHF | none | AA- |
| BIS | 9,121 | 9,121 | CHF | none | n/a |
| | 16,906 | 16,906 | | | |

*Foreign currency cash balance held*

| Cash | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| GBP | 5,638 | 5,638 | GBP | none | n/a |
| USD | 18,372 | 18,372 | USD | none | n/a |
| Euros | 7,044 | 7,044 | Euros | none | n/a |
| | 31,054 | 31,054 | | | |

**Investment in securities**

**2014**

*Treasury Bills*

| | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| United States | - | - | USD | none | n/a |

*Fixed term investment USD - Current*

| Bank | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| UBAF France | - | - | USD | none | A- |
| Credit Suisse | - | - | USD | none | A |
| Crown Agents | - | - | USD | none | n/a |
| | - | - | | | |

*Fixed term investment USD - Non Current*

| Bank | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| UBAF France | 226,400 | 226,400 | USD | none | A- |
| UBAF France | - | - | USD | none | A- |
| Banco Santander | 316,960 | 316,960 | USD | none | A |
| Banco Santander | 135,840 | 135,840 | USD | none | AAA |
| Crown Agents | 232,628 | 232,628 | USD | none | A+ |
| Crown agents | 460,266 | 460,266 | USD | none | n/a |
| Crown agents | 226,400 | 226,400 | USD | none | n/a |
| | 1,598,494 | 1,598,494 | | | |
| **Total** | 1,598,494 | 1,598,494 | | | |

*Fixed term investment Euro Non-Current*

| Bank | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| UBAF | 396,026 | 396,026 | Euro | none | A- |
| Credit Suisse | - | - | Euro | none | A |
| Crown Agents | 282,176 | 282,176 | Euro | none | A |
| | 678,202 | 678,202 | | | |

*Fixed term investment GBP - Non Current*

| Bank | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| SCB-London | 213,742 | 213,742 | GBP | none | AA- |
| SCB-London | 249,584 | 249,584 | GBP | none | AA- |
| | 463,326 | 463,326 | | | |

**2013**

*Treasury Bills*

| | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| United States | - | - | USD | none | n/a |

*Fixed term investment USD - Current*

| Bank | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| UBAF France | 190,417 | 190,417 | USD | none | A- |
| UBAF France | 190,862 | 190,862 | USD | none | A- |
| Credit Suisse | - | - | USD | none | A |
| Banco Santander | 379,967 | 379,967 | USD | none | B |
| Banco Santander | 114,823 | 114,823 | USD | none | B |
| Crown Agents | 193,628 | 193,628 | USD | none | n/a |
| Crown Agents | 384,136 | 384,136 | USD | none | n/a |
| | 1,453,833 | 1,453,833 | | | |

*Fixed term investment USD - Non Current*

| Bank | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| UBAF France | - | - | USD | none | A- |
| Credit Suisse | - | - | USD | none | A |
| Banco Santander | - | - | USD | none | B |
| SCB London | - | - | USD | none | AA- |
| Crown agents | - | - | USD | none | n/a |
| | - | - | | | |
| **Total** | - | - | | | |

*Fixed term investment Euro Current*

| | | | | | |
|---|---|---|---|---|---|
| UBAF | 382,432 | 382,432 | Euro | none | A- |
| Credit Suisse | - | - | Euro | none | A |
| | 382,432 | 382,432 | | | |
| | ======== | ======= | | | |

*Fixed term investment GBP - Current*

| **Bank** | **Carrying amount D'000** | **Maximum exposure D'000** | **Held in Denomination** | **Type of collateral** | **Credit rating** |
|---|---|---|---|---|---|
| SCB-London | 193,608 | 193,608 | GBP | none | AA- |
| SCB-London | 64,462 | 64,462 | GBP | none | AA- |
| SCB-London | 127,704 | 127,704 | GBP | none | AA- |
| SCB-London | 64,012 | 64,012 | GBP | none | AA- |
| | 449,786 | 449,786 | | | |
| | ======== | ======= | | | |

AAA- Obligations are judged to be of the highest quality with minimal credit risk.
AA-- Obligations are judged to be of a high quality with minimal credit risks.
A- Obligations are judged to be of a quality with minimal credit risks.
A Obligations are judged to be of a quality with still minimal credit risks.
BBB - Obligations are considered to have moderate degree of safety;
BB - Obligations are considered to have moderate risk of default;
B - Obligations are considered to have a high risk of default;
N/A - Cash and reserve banks do not have a credit rating.

**Loans and advances**

**2014**

| | **Carrying amount D'000** | **Maximum exposure D'000** | **Held in Denomination** | **Type of collateral** | **Credit rating** |
|---|---|---|---|---|---|
| Housing loans | **48,304** | **48,304** | GMD | Mortgage | n/a |
| Car loan | **30,202** | **30,202** | GMD | Bill of Sale | n/a |
| Personal | **6,221** | **6,221** | GMD | Insurance | n/a |
| Staff loan amortised | **(5,859)** | **(5,859)** | GMD | | |
| | **78,868** | **78,868** | | | |
| Micro finance institutions | **4,610** | **4,610** | GMD | Mortgage | n/a |

| | | |
|---|---|---|
| | 83,478 | 83,478 |

2013

| | Carrying amount D'000 | Maximum exposure D'000 | Held in Denomination | Type of collateral | Credit rating |
|---|---|---|---|---|---|
| Housing loans | 22,792 | 22,792 | GMD | Mortgage | n/a |
| Car loan | 27,842 | 27,842 | GMD | Bill of Sale | n/a |
| Personal | 7,643 | 7,643 | GMD | Insurance | n/a |
| Staff loan amortised | (2,473) | (2,473) | | | |
| | 55,804 | 55,804 | | | |
| Micro finance institutions | 5,839 | 5,839 | GMD | Mortgage | n/a |
| | 61,643 | 61,643 | | | |

## 24.13 Liquidity risk management

Liquidity risk refers to the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate amounts on very short term deposit with foreign commercial and central banks, by having ability to draw down on the IMF facilities up to the approved limits, by continuously monitoring forecast and actual cash flows related primarily to Government projects and matching the maturity profiles of financial assets and liabilities. Included in note 5 is a summary of undrawn amounts from the IMF under approved facilities that the Bank has as its disposal.

The Bank's liabilities represent primarily deposits of commercial banks in the amount of D2,112,671,000 (2013: D1,747,112,000) (Including the minimum reserve requirement) and deposits of The Gambia government in the amount of D2,377,045,000 (2013: D1, 950,805,000). These amounts bear no specific maturity date and are repayable on demand. The Bank's only interest bearing liabilities are in respect of the IMF facilities that are repayable as outlined in note 13.

The following table details the Bank's expected maturity for its non-derivative financial assets that are the primary tool for liquidity risk management. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Bank anticipates that the cash flow will occur in a different period.

| | Less than 1 month D'000 | 1-3 months D'000 | 3 months to 1 year D'000 | 1-5 years D'000 | 5+ years D'000 | Total D'000 |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Non- interest bearing | - | - | - | - | - | - |
| Variable interest rate instruments | **2,142,012** | **1,325,000** | **4,692,152** | - | - | **8,159,164** |
| Fixed interest rate instrument | - | - | **1,550,230** | - | **1,952,877** | **3,503,107** |
| | **2,142,012** | **1,325,000** | **6,242,382** | - | **1,952,877** | **11,662,271** |
| **2013** | | | | | | |
| Non- interest bearing | - | - | - | - | - | - |
| Variable interest rate instruments | 3,619,924 | - | 4,737,451 | - | - | 8,357,375 |
| Fixed interest rate instrument | - | - | - | - | 2,035,677 | 2,035,677 |
| | 3,619,924 | - | 4,737,451 | - | 2,035,677 | 10,393,052 |

## 24.14 Fair value of financial instruments

The fair value of the Redeemable Interest-Bearing Notes and The Gambia Government 5% bond are determined as follows:

- There is no secondary market in The Gambia for trading of these or any other similar long- term instruments and therefore, the Directors of the Bank have applied non- market valuation techniques to determine the estimated fair value of these instruments;
- As the instruments have a fixed rate of interest without a fixed maturity date, a valuation technique was applied similar to fixed rate in-perpetuity instruments;
- The market rate used to derived at the estimated fair value included significant assumptions as the Gambia financial markets do not currently trade in any instruments with extended maturities;
- The significant assumptions used included:

1. There is little or no credit risk for government securities;

2. The risk free rate as at 31 December 2009 was adjusted downwards to reflect the virtual lack of risk associated with an interest income cash flows in perpetuity;

3. The directors of the Bank have also assumed that the discount rate that would be applied would approximate the nominal interest on the instruments;

4. Directors of the Bank have also assumed that the classification of these instruments as available for sale investments will change in the future to hold to maturity investments as the Bank plans to reach an agreement with The Gambia Government on applying a maturity date to these instruments.

The directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost or at their nominal values in the financial statements approximate their fair values, given the short term nature, economic environment the Bank is operating in and the relationship of the Bank with government of The Gambia, the IMF and the commercial banks. Therefore, no detailed fair value analysis of the Bank's other financial assets and liabilities were performed.

## 24.15 Related party transactions

The Bank's related parties includes The Gambia Government as the sole shareholder of the Bank, the Board of Directors and directors of functions (senior management) of the Bank

Transactions with related parties in 2014 can be summarised as follows:

| **Name** | **Receivables D'000** | **Payables D'000** | **Revenues D'000** | **Expenses D'000** |
|---|---|---|---|---|
| **The Government of Gambia:** | | | | |
| Ministry of Finance | 3,503,107 | 2,377,045 | - | 464,642 |
| Other Government departments | - | - | - | - |
| GG Treasury bills | 3,277,582 | - | - | - |
| Directors of the Bank | 8,448 | - | - | - |
| | 6,789,137 | 2,377,045 | - | 464,642 |

Transactions with related parties in 2013 can be summarised as follows:

| Name | Receivables D'000 | Payables D'000 | Revenues D'000 | Expenses D'000 |
|---|---|---|---|---|
| **The Government of Gambia:** | | | | |
| Ministry of Finance | 2,035,677 | 1,950,806 | - | 522,960 |
| Other Government departments | - | - | - | - |
| GG Treasury bills | 2,451,400 | | | |
| Directors of the Bank | 9,813 | - | - | - |
| | 4,496,890 | 1,950,806 | - | 522,960 |

Related party transactions represent primarily the deposits of The Gambia Government and other financial instruments, including the grants of Redeemable Interest- Bearing Securities and advances granted to government and treasury bills holdings. Transactions with Directors of the Bank represent primarily loans provided for financing housing, car and other personal effects.

*Remuneration of board of directors and Function Directors*

Remuneration paid to directors and senior management of the Bank for the period are as follows:

| | **31st December 2014 D'000** | 31st December 2013 D '000 |
|---|---|---|
| **Board of directors:** | | |
| Directors fees and sitting allowances | **666** | 444 |
| **Senior management:** | | |
| Salary | **4,745** | 4,696 |
| Other benefits | **5,379** | 5,118 |
| | **10,790** | 10,258 |

## 25. Capital commitments

Capital expenditure budget for 2014 and 2015 can be summarised as follows:

| | D'000 |
|---|---|
| 2014 | 152,700 |
| 2015 | **192,443** |
| | **345,143** |

Capital expenditure mainly relates to costs to be incurred in achieving the broad objectives in line with the strategic plan activities and actions. The significant items are for the introduction of a new family of Notes and its related activities, demolition and design of Leman Street Annex and other building related activities and the maintenance and enhancement of the payment Systems The Bank has entered into binding contractual arrangements in respect of the realisation of some of these projects. The Bank does not prepare capital expenditure budgets for longer periods.

## 26. Contingent liabilities and assets

A contingent liability is defined as:

a) 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 Bank; or

b) A present obligation that arises from past events but it is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is defined as a possible asset 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 Bank.

The Directors of the Bank have assessed the existence of contingent assets and contingent liabilities and have concluded on the basis of their valuation that the Bank has no significant contingent assets or contingent liabilities.

## 27. Events after the reporting date

The Directors of the Bank have concluded that no events have occurred since the date that requires adjustments or disclosures in the financial statements.

## 28. Adoption of new and revised standards

The Bank has adopted all the new, revised and amended standards and interpretations issued by the IASB and IFRIC applicable to the Bank's operations and to annual reporting periods beginning on or after 1 January 2008. The adoption of new, revised or amended standards and interpretations did not result in the Bank's accounting principles affecting the figures disclosed in the financial statements of previous years and the current year.

## 29. New standards, interpretations and amendments to existing standards that are not yet effective

### Standards issued but not yet effective

*IFRS 9 Financial Instruments*

The first phase of IFRS 9, which addressed classification and measurement of financial assets was published in November 2009, and was subsequently amended in October 2010 and November 2013, to include classification and measurement requirements of financial liabilities and hedge accounting requirements.

IFRS 9 (2013) does not yet have a mandatory effective date, but early adoption is allowed. A mandatory effective date will be set when the IASB completes the impairment phase of the project. At its February 2014 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018.

Key requirements:
Classification and measurement of financial assets
• All financial assets are measured at fair value on initial recognition. Debt instruments may be subsequently measured at amortised cost, if the fair value option (FVO) is not invoked, and:

i) The asset is held within a business model that has the objective to hold the assets to collect the contractual cashflows.

ii) The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

• All other debt instruments are subsequently measured at fair value.
• Equity instruments are measured at fair value through either other comprehensive income (OCI) or profit or loss. Entities have an irrevocable choice to recognise changes in the fair value of

non-trading instruments either in OCI or profit or loss by instrument. However, equity instruments held for trading must be measured at fair value through profit or loss.

Classification and measurement of financial liabilities
• For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is

presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

• All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Hedge accounting

• Hedge effectiveness testing must be done prospectively and can be qualitative, depending on the complexity of the hedge.

• A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable.

Transition

Entities may elect to early apply only the accounting requirements for gains and losses from own credit risk without applying the other requirements of IFRS 9 (2013) at the same time. These provisions require an entity to present in OCI the changes in the fair value of non-derivative financial liabilities designated at fair value through profit or loss that are attributable to the entity's own credit risk.

Previous versions of IFRS 9 (2009 and 2010) will be available for early application until all of the phases of IFRS 9 have been issued.4

Impact

The application of the completed version of IFRS 9 will likely result in significant changes to an entity's current accounting, systems and processes. For entities considering early application, there are a number of benefits and challenges that should be considered. Careful planning for this transition will be necessary.

*IAS 16 and 38 Acceptable methods of Depreciation and Amortisation*

Effective for annual periods beginning on or after 1 January 2016.

Key requirements:

Amendments to both IAS 16 and IAS 38 clarifying, that when applying the principle of "the basis of depreciation and amortisation is the expected pattern of consumption of the future economic benefits of an asset", revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

Additionally further clarified the basis for the calculation of depreciation and amortisation.

*IFRS 15 Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2017.

Key requirements:
The objective of the new standard is to establish principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The standard introduces a revenue model in which the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.