Central Bank Of The Gambia

Annual Report and Financial Statements
For the year ended 31 December 2010

Contents

Financial highlights

In accordance with International Financial Reporting Standards

	2007 D'000	2008 D'000	2009 D'000	2010 D'000	Change vs. 2009
Net surplus (deficit) for the year	13,610	63,739	(27,032)	**(65,146)**	141%

Total Assets

2007 D'000	2008 D'000	2009 D'000	2010 D'000	Change vs. 2009
5,217,588	4,778,704	6,599,241	**7,786,633**	18%

Structure of total assets

	2007 D'000	2008 D'000	2009 D'000	2010 D'000	Change against 2009
Investment in securities	1,663,561	2,164,703	1,758,770	**2,445,434**	39%
Loans and advances	33,156	124,005	93,964	**251,507**	168%
Intangible assets	26,078	26,400	25,908	**25,371**	-2%
Property, plant and equipment	290,223	296,550	327,390	**332,063**	1%
Other non- current assets	-	147,512	143,996	**136,653**	-5%
Foreign currency cash balances and deposits	2,180,215	1,639,026	1,689,632	**1,847,256**	9%
Receivables due from IMF	62,036	48,265	58,878	**62,114**	5%
Loans and advances	126,467	25,757	44,400	**9,664**	-78%
Investments in securities	583,132	126,627	2,205,258	**2,472,648**	12%
Other current assets	252,720	179,859	251,045	**203,923**	-19%
	5,217,588	4,778,704	6,599,241	**7,786,633**	18%

Structure of total liabilities

	2007 D'000	2008 D'000	2009 D'000	2010 D'000	Change against 2009
Share capital and other reserves	45,315	65,315	85,315	**105,315**	23%
Retained earnings	250,024	313,764	286,732	**221,586**	-23%
Long-term loan from IMF	380,043	424,590	1,904,981	**2,053,454**	8%
Provisions and other liabilities	7,483	322,945	184,666	**29,111**	-84%
Currency in circulation	1,893,502	2,050,167	2,216,721	**2,436,394**	10%
Deposits of government and other financial institutions	2,575,289	1,501,234	1,702,735	**2,857,845**	68%
Other current liabilities	65,932	100,689	218,091	**82,928**	-62%
	5,217,588	4,778,704	6,599,241	**7,786,633**	18%

General information

Executive director	Mr. Momodou Bamba Saho	Governor & Chairman (Up to 30 November 2010)
	Mr Amadou A. Colley	Governor & Chairman (From 1 December 2010)
Non executive directors	Mr. Mustapha A.B. Kah	Director
	Permanent Secretary DOSFEA	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	
Board secretary	Mr. Momodou B. Mboge	
Auditors	Deloitte & Touche 1 Paradise Beach Place Bertil Harding Highway P O Box 268 Banjul, The Gambia	
Registered office	1-2 ECOWAS Avenue Banjul The Gambia	
Bankers	Bank of England International Monetary Fund Federal Reserve Bank of New York Banque De France Bank of International Settlements HSBC Standard Chartered Bank Plc Union Des Banque Arabes Et Francaise Credit Suisse Crown Agents Banco Santander	

Directors’ report

The directors present their report and the audited financial statements of The Central Bank of The Gambia for the year ended 31st December 2010.

Statement of Director's responsibility

The Central Bank of The Gambia Act 2005 requires the directors to prepare the 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 of the bank

The Central Bank of The Gambia was established to carry on business in accordance with the constitution and the provisions of the Central Bank 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 systems;
- issue and redeem the currency notes and coins of The Gambia;
- license, regulate, and supervise non banking financial institutions;
- act as banker and financial adviser 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

The results of the bank are as detailed in the accompanying financial statements.

Employees

The number of employees and the costs associated with these employees is as detailed in note 8.

Donations

During the year the bank made charitable donations amounting to D471, 500 (2009: D539, 000).

Directors and their interest

The directors who held office during the year are as shown on page 4. 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. An appointed director shall be eligible for reappointment.

Auditors

The National Audit Office is mandated to appoint the bank's auditors.

By order of the Board of Direct ors

Secretary

Date:...31st March.....2011

Deloitte.

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Report of the Independent Auditors

To Members of the Board of Directors of The Central Bank of The Gambia

We have audited the accompanying financial statements of The Central Bank of The Gambia set out on pages 8 to 35 which comprise of the statement of financial position as at 31 December 2010, the income statement, statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Central Bank of The Gambia Act 2005, International Financial Reporting Standards issued by the International Accounting Standards 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.

Auditors' 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 and 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 auditors' 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 auditors consider 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is 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 was noted with requirements of Central Bank of The Gambia Act 2005:

- International Financial Reporting Standard IAS 21: The Effects of Changes in Foreign Exchange Rate requires that exchange differences arising on the settlement of monetary items or on converting monetary items at rates different from those at which they were converted on initial recognition during the period, shall be recognised in the income statement in the period in which they arise. However, net unrealised foreign exchange losses of GMD128.344 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 income statement.

Qualified Opinion: in accordance with International Financial Reporting Standards

In our opinion, except for the effects of the matter described above in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Central Bank of The Gambia as at December 31, 2010, and of its financial performance and its cash flows for the year then ended; in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
Registered Auditors

Date: 31st March 2011

Income Statement
for the year ended 31 December 2010

	Note	31-Dec-2010	31-Dec-2009
		D.000	**D.000**
Interest and other similar income	5.0	92,600	139,114
Interest expense and other similar expense	5.0	(3,550)	(3,235)
Other Income	6.0	26,966	3,612
Exchange rate gains and losses	7.0	-	50,807
Issuance of Interest Bearing Notes	7.0	-	(50,807)
Personnel costs	8.0	(42,453)	(52,557)
General and administration expenses	9.0	(115,742)	(96,920)
Depreciation	10.0	(13,654)	(15,771)
Amortisation	11.0	(890)	(1,275)
WAMA Clearing Mechanism write off	15.0	(8,423)	-
Net loss for the financial year		**(65,146)**	**(27,032)**

The notes on pages 13 to 35 form an integral part of these financial statements.

Statement of financial position
as at 31 December 2010

	Note	31-Dec-2010 D.000	31-Dec-2009 D.000
Assets:			
Non-current assets			
Investments in securities	13	2,445,434	1,758,770
Loans and advances	14	251,507	93,964
Intangible assets	11	25,371	25,908
Property, plant and equipment	10	332,063	327,390
Other non-current assets	15	136,653	143,996
Total non-current assets		3,191,028	2,350,028
Current assets			
Foreign currency cash balances and deposits	12	1,847,256	1,689,632
Receivables due from IMF	17	62,114	58,878
Loans and advances	14	9,664	44,400
Investments in securities	13	2,472,648	2,205,258
Other current assets	15	203,923	251,045
Total current assets		4,595,605	4,249,213
Total assets		**7,786,633**	**6,599,241**
Equity and liabilities:			
Equity			
Share capital		101,000	81,000
Other reserves		4,315	4,315
Retained earnings		221,586	286,732
Total equity	19	326,901	372,047
Non- current liabilities			
Long term loan from IMF	18	2,053,454	1,904,981
Other liabilities	21	29,111	184,666
Currency in circulation	20	2,436,394	2,216,721
Total non-current liabilities		4,518,959	4,306,368
Current liabilities			
Deposits of government and financial institutions	16	2,857,845	1,702,735
Other current liabilities	21	82,928	218,091
Total current liabilities		2,940,773	1,920,826
Total liabilities		7,459,732	6,227,194
Total equity and liabilities		**7,786,633**	**6,599,241**

The notes on pages 13 to 35 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2010

	Share capital	Statutory reserves	Other reserves	Retained Earnings	Total equity
	D.000	D.000	D.000	D.000	D.000
At 1 January 2009	61,000	-	4,315	313,764	379,079
Additional paid in capital	20,000	-	-	-	20,000
Net income for the year	-	-	-	(27,032)	(27,032)
At 31 December 2009	**81,000**	**-**	**4,315**	**286,732**	**372,047**
Additional paid in capital	20,000	-	-	-	20,000
Net loss for the year	-	-	-	(65,146)	(65,146)
Exchange losses for the year	-	-	(128,344)	-	(128,344)
Issuance of RNIB securities Section 9 (4)	-	-	128,344	-	128,344
At 31 December 2010	**101,000**	**-**	**4,315**	**221,586**	**326,901**

The notes on pages 13 to 35 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2010

	31-Dec-2010	31-Dec-2009
Cash flows from operating activities:	**D.000**	**D.000**
Net loss for the financial year	(65,146)	(27,032)
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	14,544	17,046
Fair value adjustments on property, plant and equipment		(6,608)
Interest income	(92,600)	(139,114)
Interest expense	3,550	3,235
Government grant of redeemable interest-bearing notes	-	50,807
Net cash used in operating activities before changes in working capital and interest received and paid	(139,652)	(101,666)
(Increase) decrease in operating assets:		
Receivables due from the IMF	(3,236)	(10,613)
Loans and advances	(122,807)	11,398
Provisions and other liabilities	(155,554)	(138,279)
Deposits of government and financial institutions	1,155,110	201,501
Currency in circulation	219,673	166,554
Other assets and liabilities	(19,406)	91,840
Cash generated by operations before interest paid and received	**934,128**	**220, 735**
Interest paid	42	357
Interest received	27,715	74,229
Net cash generated by operating activities	**961,885**	**295,321**

Cash flows from investing activities:

Net purchase and sale of securities	(954,054)	(1,704,320)
Purchases of property, plant and equipment and intangible assets	(18,680)	(40,786)
Net cash used in investing activities	**(972,734)**	**(1,745,106)**
Cash flows from financing activities:		
Receipt of IMF long-term loan	148,473	1,480,391
Cash for additional paid in capital	20,000	20,000
Net cash from financing activities	**168,473**	**1,500,391**
Net increase in cash and cash equivalents	**157,624**	**50,606**
Cash and cash equivalents at the beginning of the year	1,689,632	1,639,026
Cash and cash equivalents at the end of the year	**1,847,256**	**1,689,632**

The notes on pages 13 to 35 form an integral part of these financial statements.

Notes to the financial statements

1.0 Background

The Central Bank of The Gambia ("the Bank") was established in 1971 by the 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 address of the registered office of the Bank 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 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. In accordance with the Act, over the accounting period the Bank generates either a profit or a loss. Profit generated by the Bank 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 S8 (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 shall submit an annual report on its financial results to the Parliament of The Gambia, within six months of the end of the calendar year.

The Bank is also subject to certain reporting requirements of the International Monetary Fund (IMF) under the terms of various agreements with the IMF under the current PRGF and ECF program.

During the year ended 31 December 2010, the Bank's executive and non-executive directors were as follows:

Executive Directors:

1. Mr. Momodou Bamba Saho – Governor and Chairman up to 30 November 2010
2. Mr. Amadou A Colley – appointed Governor with effect from 1st December 2010

Non-Executive Directors:

1. Mr. Mustapha AB Kah - Director
2. Mr. Benjamin Carr – Director
3. Permanent secretary DOSEFA – Director
4. Mr. Rene Geoffrey Renner – Director

2.0 Adoption of new and revised standards

During the current year the Bank adopted all the new and 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 and revised or amended standards and interpretations did not result in the Bank's accounting principles affecting the figures disclosed in the financial statements for previous years and the current year.

3.0 Significant Accounting Policies

3.1 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").The Bank has completed its two year transition period in which the financial statements have been prepared in accordance with the Act and IFRS. There has been over the two year period reconciliations of equity and net profit or loss per the financial statements in accordance with the Act and financial statements in accordance with IFRS. The effect of these reconciliations have been reflected during the period.

3.2 Basis of Preparation

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 used as deemed costs under IFRS 1. The principal accounting policies adopted are set out below.

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

3.2.1 Receivables from banks and other institutions

Receivables from banks and other institutions are stated at their nominal amounts.

3.2.2 Foreign currency activities

Transactions in currencies other than Dalasi are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated 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 included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

3.2.3 Financial assets

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 as at fair value through profit or loss, which are initially measured at fair value.

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.

Financial assets at fair value through profit and loss

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

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, less any impairment. Interest income is recognised by applying the effective interest rate.

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

Held-to-maturity investments

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.

During the year, the Bank concluded the securitization of Government borrowing into a 6.5% Bond with a 30 year tenor.

Available for Sale financial assets (AFS)

Subscriptions to associate regional institutions such as ECOWAS and 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 review their carrying value based on the currency (US Dollar) in which they are held at 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 values. 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 at the current rate of exchange.

Dividends on these equity instruments are recognised in the profit or loss when the Bank’s right to receive the dividends are established.

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 asset, 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 asset's 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 profit or loss 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.

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 risks 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 recognises a collateralised borrowing for the proceeds received.

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 points 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 asset, or, where appropriate, a shorter period.

3.2.4 Financial liabilities

The Bank has not classified any financial liabilities as financial liabilities at fair value through profit and loss. Financial liabilities, including borrowings, are initially measured 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 derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

3.2.5 Government Grants

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, the Notes are redeemed in the amount of the gain and are recorded as an expense in the period that the gain is recognized.

3.2.6 Intangible Assets

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

3.2.7 Property, Plant and Equipment

Buildings were re-valued in 2008 under the options in IFRS 1 for determining the deemed cost for buildings. Buildings acquired prior to 31 December 2009 are stated in the statement of financial position at deemed costs, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Buildings acquired after 31 December 2008 and other assets including furniture & equipment, vehicles and computers are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined separately for each category of asset and is charged so as to write off the cost or valuation of the assets (other than land and items under construction) to their residual value over their estimated useful lives, using the straight-line method.

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 of 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 recognized in the income statement. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

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's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Impairment of property, plant and equipment and intangible 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 profit or loss. 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 profit or loss.

At the end of the reporting date, an impairment review was carried out. The results have shown that the carrying value is not materially different from current carrying value for property, plant and equipment.

3.2.8 Pension and retirement benefits

The Bank currently calculates an annual amount that will become payable in the foreseeable future to employees at or near the retirement age and amounts that will be payable to former employees who have earned the right to a pension under the Bank's pension scheme. This amount is recorded as an expense in the accounting period with a corresponding entry to a pension fund liability. The amount on the pension fund liability does not represent a complete and accurate calculation of the Bank's retirement obligation.

The Bank contracted Muhanna and Co Ltd based in Nicosia, Cyprus a qualified actuary to calculate the obligation for the purposes of the complete set of IFRS financial statements for the 2009 year for its first Actuarial valuation as at 31st December 2008. The report was prepared in accordance with Guidance note "GN9 Retirement Benefit Schemes – Actuarial Report" published by the Institute and faculty of Actuary and adopted by the Cyprus Association of Actuary (CAA).

The report for the actuarial valuation revealed an unfunded liability of D67.972 million. The directors based on the actuarial valuation have decided to recognize the unfunded liability within the next fifteen years and agreed on a three year cycle and in addition full valuation to be done at 31 December 2011 and completed before 30 June 2012. Furthermore an additional interim valuation of the fund as at 31st December 2009 and 2010 was being made to ensure continued monitoring of the scheme before the next full valuation. However management is of the view that the unfunded liability may not significantly change since the last valuation and therefore the next review shall be made in December 2011.

The principal assumptions used in the valuations are the rate of return of assets at 5% net of inflation and no salary and pension increases.

For the defined benefit retirement plan that the Bank operates, the cost of providing benefits was determined using the Projected Unit Credit Method, with actuarial valuations to be carried out at each reporting date henceforth. Actuarial gains and losses that exceed 10 per cent of the present value of the Bank's defined benefit obligation at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service costs are recognised immediately to the extent that the benefits are already vested otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

The unfunded liability to cover the past service cost will be amortised over a fifteen year period with an additional funding rate of 34.1% which is over and above the current contribution rate of 12.5% totalling a contribution rate of 46.6%. The Bank committed to a current contribution rate of 12.5% of basic salaries plus an additional allocation of D6.24 million over a 15 year period.

The Bank's defined benefit plan may be summarized as follows:

The Bank operates a defined benefit plan for all employees. Under the plan, the employees are entitled to retirement benefits, including the option of a monthly pension until death or a lump sum payment upon retirement with a reduced monthly pension until death. The monthly pension is calculated as an average of the employees' salary over his/her working life capped at 75% of the final monthly salary of the employee. The lump sum option is calculated as 12.5 times one quarter of the annual full pension.

3.2.9 Receivables from and liabilities to the International Monetary Fund

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.

3.2.10 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 recognized as an expense through the income statement. 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.

3.2.11 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.2.12 Interest Income and Expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.2.13 Cash and cash equivalents in the cash flow statement

Cash and cash equivalents for the purpose of cash flow statement preparation comprise cash held in foreign currencies and foreign currency deposits with foreign banks.

4.0 Critical accounting judgements and key sources of estimation uncertainty

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 period 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.

The following are the critical judgements that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4.1 Redeemable Interest-bearing Notes and 5% Gambia Government Bond

Redeemable interest-bearing notes and the 5% Gambia Government Bond do not currently have a specific maturity date on the basis of the decision of The Gambia government and are not publicly traded and may be redeemed only at the option of The Gambian government. The Bank has therefore estimated the fair value of the notes and bonds on the basis of current relevant market information and other significant assumptions, given that these instruments cannot be traded on a secondary market and are redeemable at the option of The Gambian government. Any changes in these assumptions or market information could have a significant impact on future periods. However the redeemable interest bearing notes up to 31 December 2009 have been successfully negotiated with government in a securitized 30 year 6.5% Bond effective September 2010, and payable half yearly.

4.2 Useful life and fair value of building and related leasehold land

The Bank has performed a revaluation of its administrative building and related leasehold land on the basis of an independent appraisal report for the purpose of using fair value as deemed costs under the allowed option in IFRS 1 for first time adopters of IFRS. The remaining useful life of the building was not changed (70 years). The assessment of the useful life and the fair value of the building and related leasehold land involve the judgment of the technical experts. The revaluation of the building and related leasehold land has resulted in an increase in the value of the assets and a corresponding increase in equity. The estimates used in the revaluation model are based upon an expert independent valuation report. The resulting reported amounts for these assets and the related revaluation reserve do not necessarily represent values at which these assets could or would be sold. There are inherent uncertainties about future business conditions, changes in the economy and the competitive environment for real estate that could require future adjustments to the estimated life of the building which could potentially result in material changes in reported financial position, equity and profit. Refer to Note 11 for further details.

5.0 Interest Income and Expense

Interest income and other similar income for the year ended consist of:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Interest on Government Bonds	66,330	12,500
Interest on USD deposits	9,182	58,374
Interest on EUR deposits	6,370	14,948
Interest on GBP deposits	4,706	7,295
Interest on other foreign currency deposits	2,750	469
Other interest income	3,262	45,528
Total interest income	**92,600**	139,114

Interest expense and other similar expense for the year ended consist of:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Interest on IMF loan	217	90
Commission to primary dealers	3,333	3,107
Other interest expense	-	38
Total interest expense	**3,550**	3,235

6.0 Other Income

Other income can be summarized as follows:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Gain on sale of investments	1,763	260
Other investment income	22,584	-
Miscellaneous income	2,581	3,326
Sale of commemorative coins	38	26
Total other income	**26,966**	3,612

Other investment income relates to a bonus issue of 6,200 shares made during the year by Africa Re-insurance. The Gambia government also transferred their 1,800 shares held in Africa Re-insurance to The Central Bank of The Gambia. The nominal value of these shares is $100 per share, which was converted to Gambian Dalasi using the closing rate of D28.63 /US$.

7.0 Exchange rate gains and losses

Exchange rate gains and losses can be summarized as follows:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Net exchange rate differences on foreign currency deposits	85,212	149,019
Net exchange rate differences on foreign currency on IMF loan	(84,348)	118,024
Net exchange differences on SDR accounts with IMF	(129,208)	(216,236)
Exchange rate differences, net	**(128,344)**	50,807

8.0 Personnel Costs

Personnel costs can be summarized as follows:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Salaries	24,944	20,594
Transport allowance	6,388	5,502
Contributions to provident fund	2,098	1,710
Professional allowances	2,005	1,981
Other pension costs	6,465	22,235
Other	553	535
Total personnel costs	**42,453**	52,557

The total number of employees as at 31 December 2010 was 267 of which 17 employees are directors and management of the Bank ((2009) 249:13).

9.0 General and administration expenses

General and administration expenses comprise:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Contributions to regional organizations	21,744	18,729
Amortisation of currency cost	45,920	26,954
Training expenses	11,532	10,858
Travel and transport operating expenses	9,206	10,425
Software license fees	3,109	2,751
Telecommunication expenses	2,103	1,931
Other costs and expenses	22,128	25,272
Total general and administration expenses	**115,742**	**96,920**

10.0 Property, plant and equipment

	Buildings at fair value as deemed costs	Furniture and Equipment	Motor vehicles	Computer equipment	Work In Progress	Total
Cost or fair value as deemed cost	D.000	D.000	D.000	D.000	D.000	**D.000**
Balance at 1 January 2009	275,245	25,129	20,060	15,995	-	**336,429**
Additions	21,470	6,491	928	597	10,517	**40,003**
Disposal	-	-	(389)	-	-	**(389)**
Fair value adjustments	32	274	2,768	3,534	-	**6,608**
Balance at 31 December 2009	296,747	31,894	23,367	20,126	10,517	**382,651**
Additions	506	2,395	5,055	2,220	8,753	**18,929**
Fair value adjustment for deemed cost	-	-	(1,522)	-	-	**(1,522)**
Balance at 31 December 2010	297,253	34,289	26,900	22,346	19,270	**400,058**
Accumulated depreciation and impairment						
Balance at 1 January 2009	(9,956)	(12,755)	(8,397)	(8,771)	-	**(39,879)**
Depreciation expense	(2,869)	(5,583)	(4,486)	(2,833)	-	**(15,771)**
Disposal	-	-	389	-	-	**389**
Balance at 31 December 2009	(12,825)	(18,338)	(12,494)	(11,604)	-	**(55,261)**
Depreciation expense	(3,075)	(2,265)	(4,532)	(3,782)	-	**(13,654)**
Other [disposal]	-	-	920	-	-	**920**
Balance at 31 December 2010	(15,900)	(20,603)	(16,106)	(15,386)	-	**(67,995)**
Carrying amount						
As at 31 December 2009	283,922	13,556	10,873	8,522	10,517	327,390
As at 31 December 2010	**281,353**	**13,686**	**10,794**	**6,960**	**19,270**	**332,063**

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 costs estimates are based on estimated costs 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 2010 will not be significantly different.

11.0 Intangible assets

	Right for use of land	Software	Total
Cost	D.000	D.000	**D.000**
Balance at 1 January 2009	25,000	2,628	**27,628**
Additions	-	783	**763**
Balance at 31 December 2009	25,000	3,411	**28,411**
Additions	-	350	**350**
Balance at 31 December 2010	25,000	3,761	**28,761**
Accumulated amortisation			
Balance at 1 January 2009	(253)	(975)	(1,228)
Amortisation expense	(253)	(1,022)	**(1,275)**
Write back	3	-	**3**
Balance at 31 December 2009	(503)	(1,997)	**(2,500)**
Amortisation expense	(250)	(640)	**(990)**
Balance at 31 December 2010	(753)	(2,637)	**(3,390)**
Carrying amount			
As at 31 December 2009	24,494	1,414	25,908
As at 31 December 2010	**24,247**	**1,124**	**25,371**

Rights of use of land were acquired as leasehold land for a period of 99 years and have been re-valued as at the 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 for these rights represented a nominal amount.

12.0 Foreign currency cash balances held and deposits

Foreign currency cash balances held and deposits (cash and cash equivalents) comprise:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
USD Deposits	446,802	227,822
EUR Deposits	158,070	310,140
GBP deposits	122,571	83,647
SDR Deposits	1,012,384	979,084
Other deposits	40,885	39,952
Foreign currency cash balances held	66,544	48,987
Total	**1,847,256**	**1,689,632**

Foreign currency deposits are made primarily with foreign central banks.

13.0 Financial Assets (Investments in Securities)

	Current		Non-current	
	31-Dec-2010	31-Dec-2009	31-Dec-2010	31-Dec-2009
	D.000	D.000	D.000	D.000
Held-to-maturity investments carried at amortised cost				
US Treasury bills	197,595	321,879	-	-
Fixed term investment Euro	879,828	278,674	-	414,815
Fixed term Investment USD	992,027	1,331,572	-	362,125
Fixed term Investments GBP	403,198	273,133	-	-
5% Gambia Government bonds	-	-	250,000	250,000
Redeemable Interest-Bearing Notes	-	-	128,344	495,865
6.5% Gambia Government Bond	-	-	1,825,000	-
Total	2,472,648	2,205,258	2,203,344	1,522,805
Available-for-sale investments carried at fair value or cost				
Equity investments	-	-	242,090	235,965
Total	-	-	242,090	235,965
Grand Total	2,472,648	2,205,258	2,445,434	1,758,770

The Bank did not hold any Gambia government treasury bills to maturity as at 31st December 2010.

Available for sale investments include the following equity investments:

a. Shareholding in Africa Export-Import Bank for an amount of D11.292 million (D12.388 million:2009) representing 0.13% holding;

b. Shareholding in Africa Re-insurance Company Limited for an amount of D35,002 million (D13.627 million :2009) representing 0.62% holding
c. Shares in West African Central Bank for an amount of D197.6108 million (D207.098 million: 2009) representing a 6.9% 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.

14.0 Loans and advances

	Current		Non-current	
	31-Dec-2010	31-Dec-2009	31-Dec-2010	31-Dec-2009
	D.000	D.000	D.000	D.000
Loans to Gambia Government	-	32,400	208,458	52,283
Staff Loans	-		43,049	41,681
Loans to financial institutions	9,664	12,000	-	-
Grand Total	9,664	44,400	251,507	93,964

15.0 Other assets

	Current		Non-current	
	31-Dec-2010	31-Dec-2009	31-Dec-2010	31-Dec-2009
	D.000	D.000	D.000	D.000
Stock of notes not yet issued	79,153	108,057	-	-
Commemorative coins	1,230	1,230	-	-
African Bank for investment & commerce receivables	-	-	36,030	36,030
ECOWAS receivables	-	-	-	10,250
WAMI Stabilization fund receivables	-	-	100,623	97,716
W. African Monetary Agency receivables	22,240	17,952	-	-
Accrued interest receivable	95,516	118,293	-	-
Prepayments	729	577	-	-
Other	5,055	4,936	-	-
Total	203,923	251,045	136,653	143,996

The final closure of the West African Monetary Agency clearing mechanism was agreed by the Committee of Governors of Ecowas member states at their 38th Ordinary meeting, held in Banjul on 29th July 2010. There has been protracted delay in the final settlement due mainly to the lack of documentation from the Agency since the office was ransacked during the civil war in Sierra Leone and disagreement on the modalities for the final settlement positions of member Central Banks.

Consequently members' positions were only validated on the production of their own documentation which dated back in the 1970s and 80s.The Central Bank of the Gambia was able to validate WAUA227, 377.38 against our book balance of WAUA418, 276.03. This has resulted in the write of WAUA190, 899 equivalent to D8.423 million. Included in the receivables is the amount due from the Central Bank of Liberia equivalent to USD 353,981.11 GMD 10.0 million

16.0 Deposits of government and financial institutions

Deposits of government and financial institutions comprise:

	31-Dec-2010	31-Dec-2009
	D.000	**D.000**
Deposits of commercial banks	1,066,926	954,710
The Gambia government deposits	1,758,028	684,386
Other deposits	32,891	63,639
Total	**2,857,845**	**1,702,735**

As stipulated under the provisions of the Central Bank of The Gambia Act 2005, one of the principal objectives of the Bank is acting as banker and adviser to the Government. Relying on this provision, the Bank receives 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.

Deposits of commercial banks also include the minimum required reserves that commercial banks must deposit with the Bank. Currently, commercial banks are required to maintain 14% of their total demand deposits as a minimum reserve requirement.

Deposits (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.

17.0 Balances with IMF (excluding long-term loan)

	31-Dec-2010	31-Dec-2009
Receivables:	**D.000**	**D.000**
- IMF quotas (deposits of Dalasi currency at IMF)	1,280,076	1,237,158
Liabilities:		
IMF Account #1	(1,214,045)	(1,178,167)
IMF Account #2	(3,917)	(113)
Net receivable due from IMF	**62,114**	**58,878**

18.0 Interest-bearing borrowings 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 SDR20.12 million (2009: SDR18.22 million). In addition the Bank accessed the Extended Credit Facility being granted by the fund during the year resulting in total disbursement under the program amounting to SDR20.215 million disbursed to date. A one-year extension of the program with the Fund has been undertaken and SDR1.995 million disbursed during the year.

The PRGF and the ECF are repayable in 40 instalments of SDR0.2 million, 20 instalments of SDR0.511 million and 10 instalments of SDR0.1995 (2009: 40 instalments: SDR0.2 million 20 instalments: SDR0.511 million) respectively. Final instalment repayment is scheduled in 2020. 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 2010 (D236.392 million: 2009). In January 2010 the IMF interest charges on all concessional loans were waived through to 31st December 2011.

As a response to the Global crises the IMF increased members' SDR allocations in August 2009 in order to finance the impact of the crises. The Gambia's original SDR5.12 million allocations have been increased by SDR24.65 million resulting in total SDR allocations of SDR29.77 million. Quarterly charges are levied and payable to the IMF on an average annual interest rate of 0.27% (2009: 0.01%). The SDR Allocations have no specific maturity dates.

The PRGF amount has the following repayment schedule:

	31-Dec-2010	31-Dec-2009
	D.000	D.000
Within 1 year	861	4,188
After 2 years	11,166	4,184
After 3 years	44,022	12,126
After 4 years	89,588	43,812
5 years and after	682,564	656,498
Total	828,201	720,808
SDR allocations	1,225,253	1,184,173
	2,053,454	**1,904,981**

19.0 Share Capital and Equity Reserves

Share capital represents contributions by the sole shareholder (the government of The Gambia) and may not be distributed under current legislation. Under the recapitalization policy of the Bank, Government undertook to increase the share capital to D100 million over a period of 5 years starting in 2007 which has now been fully paid up (2009: D81 million).

Statutory reserves include the General Reserve Fund, the use of 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.

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.

20.0 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 D2,436,394 thousand (2009: D2,216,721 thousand). Changes in the level of the liability are mainly influenced both by the Government's fiscal policies and monetary policies of the Bank.

21.0 Other liabilities

	Current		Non-current	
	31-Dec-2010	31-Dec-2009	31-Dec-2010	31-Dec-2009
	D.000	D.000	D.000	D.000
MDRI Relief	-	78,797	-	157,595
Payment obligations to China	54,441	51,837	-	-
Accrued interest payable	7,399	63,395	-	-
Provisions and other liabilities	21,088	24,062	29,111	27,071
Total	**82,928**	**218,091**	**29,111**	**184,666**

22.0 Provisions and other liabilities

Provisions and other liabilities include Pension fund reserves of D29.11 million in line with the actuarial valuation carried as at 31 December 2009. The IAS 19 disclosure requirements are as detailed below:

Change in benefit obligations during the year ending	**31-Dec-2009**
	D.000
Benefit obligations at the beginning of the year	75,380
Interest cost	3,825
Current service cost	2,244
Actuarial (gain) loss on obligation	(3,914)
Benefit obligation at the end of the year	**77,535**

Corridor	**31-Dec-2009**
	D.000
Net cumulative unrecognized actuarial gains (losses)as 1 January b/f	-
Limits of corridor at 1 January	7,538
Excess of b/f over the corridor limit	-
Average expected remaining working lives years (B)	18
Actuarial gains (loss) to be recognised	-
Actuarial (gain) loss recognised	-

Unrecognised actuarial gain or loss	**31-Dec-2009**
	D.000
Unrecognised actuarial gains (losses) at 1 January	-
Actuarial gain (loss) for year – obligation	(3,914)
Actuarial gain (loss) for year – plan assets	-
Actuarial gain (loss) for year – from corridor	-
Unrecognised actuarial gains (losses) at 31 December	(3,914)

Amounts recognized in the statement of financial position	**31-Dec-2010**
	D.000
Benefit obligation at the end of the year	77,535
Fair value of plan assets end of the year	-
Unrecognised transition liability	(52,338)
Unrecognised actuarial gains (losses)	3,914
Recognised plan asset (liability)	**29,111**

Profit and loss charge	**31-Dec-2009**
	D.000
Current service cost	2,244
Interest cost on plan liabilities	3,825
Transition costs	13,594
Expenses recognised in the income statement Profit and loss charge	**19,663**

Movement in the statement of financial position /provision	**31-Dec-2010**
	D.000
Opening net liability	27,071
Expenses recognized in the income statement	6,465
Payment directly to members	(4,425)
Closing net liability	**29,111**

23.0 Financial instruments

23.1 Capital risk management

The Bank manages its capital to ensure that it fulfills its role as the Central Bank of The Gambia. 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 consists 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 21.

23.2 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:

	31-Dec-2009 D.000	31-Dec-2009 D.000
Debt (i)	5,023,338	4,010,473
Equity (ii)	**326,901**	**372,047**
Debt to equity ratio (times)	15.37	10.78

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

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

The significant increase in the gearing ratio is mainly caused by the increase in Government deposit liabilities, following the reclassification of Government debit balances which were converted to a 30 year Government attracting a return of 6.5%. , 30 year bond. Additionally the loss for the financial year also impaired shareholders funds, resulting in a reduction, compared with the previous fiscal year.

23.3 Categories of financial instruments

	31-Dec-2010 D.000	31-Dec-2009 D.000
Financial assets		
Held-to-maturity investments	4,675,992	3,728,063
Loans and receivables (including cash and cash equivalents)	2,374,464	2,137,919
Available-for-sale financial assets	242,090	235,965
Financial liabilities	**7,292,546**	**6,101,947**
Liabilities at amortised cost	828,201	720,808
Other liabilities	6,631,531	5,506,386
	7,459,732	**6,227,194**

23.4 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 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 governed 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 a continuous basis. The Bank does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

23.5 Market risk

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates 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.

23.6 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	
	31-Dec-2010	31-Dec-2009	31-Dec-2010	31-Dec-2009
	D.000	**D.000**	**D.000**	**D.000**
EUR	-	-	1,037,898	1,025,890
USD	-	-	1,438,829	2,266,018
GBP	-	-	525,769	363,932
SDR	2,053,454	1,904,981	1,012,384	979,084
Other	-	-	40,885	39,952
	2,053,454	**1,904,981**	**4,055,765**	**4,674,876**

23.7 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 the toreable 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 assets and positive for liabilities.

	USD impact		EUR impact		GBP impact		SDR impact	
	2010	2009	2010	2009	2010	2009	2010	2009
Exchange gain/(loss)	(71,941)	(113,30	(51,895)	(51,295)	(26,288	(18,197)	52,054	46,295

23.8 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 derivative transactions to manage its exposure to interest rate risk.

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

23.9 Interest rate sensitivity analysis

The sensitivity analyses 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 borrowings. 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 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 rates in developed economies which encourages more borrowing with a view to stimulate their economies. Considering that interest rates are at their lowest - virtually zero, the near term outlook is that it will remain the same at least for now.

Loss for the year ended 31 December 2010 would therefore not decrease as a result of interest rates (2009: D 27,032 million). 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.

23.10 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 these investments.

23.11 Credit risk management

Credit risk refers to the risk that 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 Gambian government, other Central Banks and with reputable foreign commercial banks. Therefore, the Bank's credit risk exposure is mitigated within acceptable levels of the Bank's risk management policy. The carrying amount of financial assets recorded in the financial statements as at 31 December 2010 represents the Bank's maximum exposure to credit risk.

23.12 Liquidity risk management

Liquidity risk refers to the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. 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 deposits 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 19 is a summary of undrawn amounts from the IMF under approved facilities that the Bank has at its disposal.

The Bank's liabilities represent primarily deposits of commercial banks in the amount of D1,066,246 million (2009: D842.945 million) (including the minimum reserve requirement) and deposits of The Gambian government in the amount of D684.386 million (2008: D592.994 million). These amounts bear no specific maturity date and are payable on demand. The Bank's only interest bearing liabilities are in respect of the IMF facilities that are repayable as outlined in note 17.

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	3 months to 1 year D.000	1-5 years	5+ years D.000	Total D.000
2010						
Non-interest bearing						
Variable interest rate instruments	1,847,256	-	2,472,648	-	-	**4,319,904**
Fixed interest rate instruments	-	-	-	114,736	2,075,000	**2,189,736**
Total	**1,847,256**		**2,472,648**	**114,736**	**2,075,000**	**6,509,640**
2009						
Non-interest bearing						
Variable interest rate instruments	1,639,632	-	-	-	712,645	**2,352,277**
Fixed interest rate instruments	-	-	2,205,258	776,940	250,000	**3,232,198**
Total	**1,639,026**		**2,205,258**	**776,940**	**962,645**	**5,584,475**

23.13 Fair value of financial instruments

The fair values 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 these or any other similar longer-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 derive 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 risks 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 rate 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 the 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.

24.0 Related party transactions

The Bank's related parties include The Gambian 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 2010 can be summarised as follows:

Name	**Receivables**	**Payables**	**Revenues**	**Expenses**
	D.000	**D.000**	**D.000**	**D.000**
The Government of Gambia:				
Ministry of Finance	2,283,458	1,758,028	128,344	
Other government departments	-	-	-	-
Directors of the Bank	5,710	-	-	-
Total	**2,289,168**	**1,758,028**	**128,344**	**-**

Transactions with related parties in 2009 can be summarised as follows:

Name	**Receivables**	**Payables**	**Revenues**	**Expenses**
The Government of Gambia:				
Department of State for Finance and Economic Affairs	**84,683**	**684,386**	**-**	**50,806**
Directors of the Bank	**4,442**	**-**	**-**	**-**
Total	**89,125**	**684,386**	**-**	**50,806**

Related party transactions represent primarily the deposits of The Gambia government and other financial instruments, including the grants if Redeemable Interest-Bearing borrowings. Transactions with directors of the Bank represent primarily loans provided for financing housing, car and other personal items.

Remuneration of Board of Directors and Function Directors

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

	31-Dec-2010	**31-Dec-2009**
	D.000	D.000
Board of directors:		
Directors fees and sitting allowances	195	195
Senior management:		
Salary	3,596	2,466
Other benefits	3,544	2,706
Total	**7,335**	**5,367**

25.0 Commitments and Contingencies

25.1 Capital expenditures

Capital expenditures budgeted for 2010 to 2011 can be summarised as follows:

	D.000
2010	10,000
2011	147,000
Total	**157,000**

Capital expenditures mainly relate to the construction of a building for the Governor's Residence and the payments system development project currently being undertaken within the West African Second Monetary Zone (WAMZ). The Bank has entered into binding contractual arrangements in respect of the realisation of these projects for the total amounts budgeted. The Bank does not prepare capital expenditure budgets for longer periods.

25.2 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 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 evaluation that the Bank has no significant contingent assets or contingent liabilities.

26.0 Events after the end of 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.

27.0 Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on

31st MARCH .... 2011 and signed on its behalf by:

.... Governor

.... Second deputy Governor

.... Director