

A large, thick black curved line that starts from the left edge of the page and curves upwards and to the right, framing the company name.

BRAC LIBERIA MICROFINANCE COMPANY LIMITED

**Independent Auditor's Report and Financial Statements
for the year ended December 31, 2021**

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Corporate Information

Board of Directors:	Mr. Shameran Abed	-	Chairperson
	Mr. Johannes Maria Antonius Eskes	-	Director
	Mr. Syed Abdul Muntakim	-	Director
	Ms. Ruth Adhiambo Okowa	-	Director
	Ms. Bridget Dougherty	-	Director

Chief Executive Officer: Mr. Md. Khaled Morshed

Registered Office: Divine Town, Old Road,
Monrovia

Bankers: Eco Bank Liberia Limited
Randall and Ashman Street, Monrovia

International Bank (Liberia) Limited
12th Street, Sinkor, Monrovia

The Liberian Bank for Development and Investment
9th Street, Sinkor, Monrovia

Guaranty Trust Bank
13th Street, Sinkor, Monrovia

Access Bank Liberia Limited
20th Street, Sinkor, Monrovia

United Bank of Africa
Broad & Nelson St., Monrovia

Afriland First Bank Liberia
Head office P.O. Box 1935
1000 Monrovia, 10 Liberia

Auditor: Baker Tilly Liberia
(*Certified Public Accountants*)
21st Street & Gibson Avenue
Fiamah, Sinkor
Monrovia

Legal Counsel: Henries Law Firm
31 Benson Street
Monrovia, Liberia

Report of the Board of Directors

The Board of Directors presents their report and audited financial statements for the year ended December 31, 2021

The Board of Directors' Responsibility Statement

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statement, comprising the statement of financial position as at December 31, 2021, the statement of profit and loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements. The notes to the financial statements include a summary of significant accounting policies and other explanatory notes, and the report of the Board of Directors in accordance with International Financial Reporting Standards (IFRS), the Disclosure Guidelines for Financial Reporting by Microfinance Institution which guidelines are voluntary norms recommended by a consultative group in international donors including the Consultative Group to Assist the Poor (CGAP) and the members of the Small Enterprise Education and Promotion Network (SEP), the Prudential Regulations for Micro-finance Institutions issued by the Central Bank of Liberia and in the manner required by the provisions of the Articles of Incorporation.

The Directors' responsibilities include designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors are also responsible for maintaining adequate accounting records and an effective system of risk management.

The Directors' have assessed the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern in the foreseeable future.

Principal Activities

The principal activities of the Company continue to be the provision of micro-finance to low income and economically active members of the Liberian communities who manage small and micro businesses and interested in credit financing to expand and improve on their activities.

Results

The results for the years and the state of the Company's affairs are shown in the attached financial statements.

Approval of the financial statements

The Board approved the financial statements on 2022.

Report of the Board of Directors (continued)

Going concern

The financial statements have been prepared on the going concern basis of accounting, which assumes that the Company will and can continue to exist as a going concern and that the assets will be realized in the normal course of the Company's business for at least the values contained in the financial statements. The Company will continue to meet its obligations in the normal conduct of its business.

The Board members

The following members served during the year:

Mr. Shameran Abed (Member, Appointed as chairperson from 1st August 2021)
Dr. Muhammad Musa (Chairperson up to 31st July 2021)
Mr. Johannes Maria Antonius Eskes
Mr. Syed Abdul Muntakim
Ms. Ruth Adhiambo Okowa
Ms. Bridget Dougherty (Appointed on 28th July 2021)

Auditors

Baker Tilly Liberia, the auditors, have expressed their desire to continue as auditors of the Company

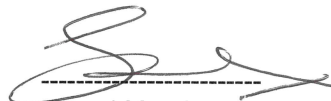
Duly signed for and on behalf of the Board of Directors.



Chief Executive Officer
Md Khaled Morshed
BRAC Liberia Microfinance Company Limited



Board Member
BRAC Liberia Microfinance
Company Limited



Board Member
BRAC Liberia Microfinance
Company Limited

To: The members of BRAC Liberia Microfinance Company Limited

Independent Auditor's Report

Opinion

We have audited the financial statements of BRAC Liberia Microfinance Company Limited ("BRAC" or "the Company"), which comprise the statement of financial position as December 31, 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BRAC Liberia Microfinance Company Limited as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, ("IFRS") the Disclosure Guidelines for financial reporting by Microfinance Institutions, which guidelines are voluntary norms recommended by a consultative group of international donors including the Consultative Group to Assist the Poor(CGAP) and the member of the Small Enterprise Education and Promotion Network (SEP), the Prudential Regulations for Microfinance issued by the Central Bank of Liberia ("CBL"), and in the manner required by the Liberia Business Corporation Act of the Association of Laws of Liberia Revised (2002).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Liberia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter(s)

Key audit matters are **those matters that** in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of audit of the financial statement and in forming our opinion thereof and we do not provide a separate opinion on these matters.

Key audit matter(s)	How the matter was addressed in our audit
<p>Impairment of loans and advances</p> <p>The impairment of loans and advances to customers is considered as significant in the audit due to the level of subjectivity inherent in estimating loan loss provision.</p> <p>The Company's provision for losses on financial assets is calculated using the expected credit loss (ECL) model rather than the incurred loss model. The determination of provision for credit losses using the ECL approach requires complex financial quantitative models as well as qualitative data; the latter which employs a significant amount of management judgment.</p> <p>Impairment allowance on loan facilities that have shown a significant increase in credit risk is based on the Company's estimate of losses expected to result from default events over the life of the facility.</p> <p>Impairment allowance on other facilities that have not shown a significant increase in credit risks is recognized based on an estimate of losses expected as a result of default event within 12 months after the reporting date. These estimates are also an output of models which includes the evaluation of past due information.</p> <p>The Company incorporates forward-looking information into both the assessment of whether credit risk have increased significantly and in the measurement of ECL.</p> <p>Management has used significant judgment in the classification of loans into stages, as well as in estimating the key assumptions applied on the recoverability of loan balances.</p> <p>See Notes 5 & 13 to the financial statements for further information.</p>	<p>We assessed the design and implementation as well as the operating effectiveness of controls over the Company's procedures used in the classification of loan asset. Key controls evaluated include management review of input data and use of forward-looking macroeconomic data.</p> <p>We performed extensive procedures on assessing the reliability of qualitative factors used by management in the determination of loan asset stage classification. We documented management's judgment criteria and assessed the validity of management's judgment criteria to underlying supporting information.</p> <p>We performed substantive test of details in assessing key data and assumptions for data input into the ECL model used by the Company. Our procedures included the following;</p> <p>We challenged the reasonableness of the Company's ECL methodology by considering whether it reflects unbiased and probability weighted amounts that is determined by evaluation a range of possible outcomes, the time value of money and reasonable & supportable information as at the reporting date about past events, current conditions and forecasts of future economic condition. Information considered includes credit historical default rates, foreign exchange rate and Gross Domestic Product growth rates.</p> <p>We evaluated the appropriateness of management's basis used in the determination of exposure at defaults including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate.</p> <p>For probability of defaults, we tested the reasonable of assumptions and methodology used in determining the probability of default.</p> <p>We tested the reasonableness of the estimation of loss given defaults, which includes an assessment of haircut adjustments.</p> <p>We re-performed the calculation of impairment allowance for loan and advances using the Company's impairment model and reviewed IFRS 9 disclosures for reasonableness.</p>

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRSs) the Disclosure Guidelines for financial reporting by Microfinance Institutions which guidelines are voluntary norms recommended by a consultative group of international donors including the Consultative Group to Assist the Poor (CGAP) and the member of the Small Enterprise Education and Promotion Network (SEP), the Prudential Regulations for Microfinance issued by the Central Bank of Liberia and in the manner required by the Liberia Business Corporation Act of the Association of Laws of Liberia Revised (2002) and for such controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Those charged with governance are responsible for overseeing the Company's financial reporting process

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

In accordance with the provisions of Association's Law Title 5 of the Liberian Code of Laws Revised, we also report that:

- I. We have obtained all the information and explanations we have required, and
- II. Books of accounts have been maintained by BRAC Liberia Microfinance Company Limited as required by section 8 of Association's Law Title 5 of the Liberian Code of Laws Revised.

Baker Tilly Liberia
(Certified Public Accountants)
April 15, 2022
Monrovia

Statement of financial position

As of December 31

Assets	Notes	2021 LRD	2020 LRD	2021 USD	2020 USD
Cash and bank	12	212,693,063	215,185,016	1,493,316	1,336,387
Short term investments	12.1	28,757,408	-	201,906	-
Loans and advances to customers	13	1,647,466,419	1,258,910,612	11,566,850	7,818,349
Other assets	14	12,089,600	9,776,260	84,881	60,715
Rights of use (ROU) on leases	25(a)	6,133,885	10,304,329	43,066	63,993
Deferred tax assets	11	969,236	2,822,730	6,805	17,530
Intangible Asset	15	8,372,714	1,440,041	58,785	8,943
Property and equipment	16	34,575,644	28,868,691	242,755	179,286
Total Assets		<u>1,951,057,970</u>	<u>1,527,307,680</u>	<u>13,698,364</u>	<u>9,485,204</u>
Liabilities and capital fund					
Liabilities					
Loan security funds	17	384,287,142	301,486,914	2,698,077	1,872,357
Related party payable	18	66,318,029	94,794,697	465,618	588,714
Borrowings	19	320,115,581	286,081,301	2,154,015	1,776,682
Deferred tax Liabilities	11	1,830,795	4,137,087	12,854	25,693
Taxes payable	11	58,104,193	985,120	407,949	6,118
Donor Funds	21	-	6,741,907	-	41,870
Lease liabilities	25(b)	4,238,908	4,328,790	29,761	26,884
Other liabilities	20	63,112,383	40,034,345	443,112	248,628
Total Liabilities		<u>898,007,032</u>	<u>738,590,162</u>	<u>6,211,386</u>	<u>4,586,946</u>
Capital fund					
Share capital	22	339,339,071	339,339,071	4,076,145	4,076,145
Share premium	23	120,755,662	120,755,662	889,529	889,529
Retained earnings	24	595,716,269	363,765,987	3,441,901	2,045,879
Convenience translation reserve		(2,760,064)	(35,143,204)	(990,646)	(2,113,295)
Total capital fund		<u>1,053,050,938</u>	<u>788,717,516</u>	<u>7,486,977</u>	<u>4,898,258</u>
Total liabilities and capital fund		<u>1,951,057,970</u>	<u>1,527,307,680</u>	<u>13,698,364</u>	<u>9,485,204</u>

The Board of Directors approved the financial statements on pages 8 - 12 on 2022


.....
Head of Finance
BRAC Liberia Microfinance Company Ltd


.....
Chief Executive Officer
BRAC Liberia Microfinance Company Ltd


.....
Board Member
BRAC Liberia Microfinance Company Ltd


.....
Board Member
BRAC Liberia Microfinance Company Ltd

The notes on pages 13 to 38 are an integral part of these financial statements

Statement of profit and loss and other comprehensive income

For the year ended December 31

Income	Notes	2021 <u>LRD</u>	2020 <u>LRD</u>	2021 <u>USD</u>	2020 <u>USD</u>
Service charge on loans	5	828,270,802	559,336,325	5,022,080	2,950,748
Interest and other financial expenses	10.2	<u>(10,287,060)</u>	<u>(8,765,921)</u>	<u>(62,374)</u>	<u>(46,244)</u>
Net income from service charge		<u>817,983,742</u>	<u>550,570,404</u>	<u>4,959,707</u>	<u>2,904,503</u>
Membership fees and other charges	6	60,925,184	38,466,244	369,410	202,927
Grant Income	7	24,555,634	6,944,793	148,889	36,637
Other income	7	<u>67,826,298</u>	<u>2,883,938</u>	<u>411,253</u>	<u>15,214</u>
		<u>153,307,116</u>	<u>48,294,975</u>	<u>929,552</u>	<u>254,777</u>
Total operating income		<u>971,290,858</u>	<u>598,865,379</u>	<u>5,889,258</u>	<u>3,159,281</u>
Expenditures:					
Impairment losses on loan and advances to customers	8	(38,897,892)	(11,821,764)	(235,851)	(62,365)
Operating income after impairment charges		<u>932,392,967</u>	<u>587,043,615</u>	<u>5,653,408</u>	<u>3,096,916</u>
Staff costs	9	(337,130,703)	(305,588,933)	(2,044,135)	(1,612,117)
Other operating expenses	10	(274,738,377)	(219,315,225)	(1,665,830)	(1,156,985)
Depreciation & Amortization	16	<u>(14,803,802)</u>	<u>(10,995,594)</u>	<u>(97,384)</u>	<u>(58,007)</u>
Total operating expenses		<u>(626,672,882)</u>	<u>(535,899,752)</u>	<u>(3,807,349)</u>	<u>(2,827,109)</u>
Profit before tax		<u>305,720,084</u>	<u>51,143,863</u>	<u>1,846,059</u>	<u>269,807</u>
Income tax expense	11	<u>(73,769,802)</u>	<u>(16,918,213)</u>	<u>(450,036)</u>	<u>(89,251)</u>
Net Profit for the year		<u>231,950,282</u>	<u>34,225,650</u>	<u>1,396,023</u>	<u>180,556</u>
Other comprehensive income					
Unrealized exchange gains/ (loss)		<u>29,112,965</u>	<u>21,905,237</u>	<u>204,402</u>	<u>136,040</u>
Total comprehensive income		<u>261,063,247</u>	<u>56,130,887</u>	<u>1,600,425</u>	<u>316,596</u>

The notes on pages 13 to 38 are an integral part of these financial statements

Statement of changes in equity
For the year ended December 31, 2021

	<u>Share Capital</u>	<u>Share premium</u>	<u>Retained Earnings</u>	<u>Donated Equity</u>	<u>Translation reserve</u>	<u>Total Capital Fund</u>	<u>Total Capital Fund</u>
	<u>LRD</u>	<u>LRD</u>	<u>LRD</u>	<u>LRD</u>	<u>LRD</u>	<u>LRD</u>	<u>USD</u>
At January 1 2020	339,339,071	59,529,493	235,096,374	155,670,132	(57,048,441)	732,919,159	3,931,759
Profit for the year			34,225,650	-		34,225,650	182,051
Transferred to Retained Earnings			94,443,963	(94,443,963)	-	-	-
Transferred to Share Premium	-	61,226,169	-	(61,226,169)	-	-	-
Translation difference	-	-	-	-	21,905,238	21,905,237	788,273
At 31 December 2020	339,339,071	120,755,662	363,765,987	-	(35,143,203)	789,050,046	4,902,083
At 1 January 2021	339,339,071	120,755,662	363,765,987	-	(35,143,203)	789,050,046	4,898,258
Profit/ (Loss) for the year	-		231,950,282		-	231,950,282	1,406,391
Transferred to Retained Earnings	-		-		-	-	-
Transferred to Share premium	-		-		-	-	-
Translation difference					(29,112,965)	(29,112,965)	1,112,280
At 31 December 2021	339,339,071	120,755,662	595,716,269	-	(64,256,168)	991,554,834	7,416,930

The notes on pages 13 to 38 are an integral part of these financial statements

Statement of cash flows

For the year ended December 31, 2021

Cash flows from operating activities	2021 <u>LRD</u>	2020 <u>LRD</u>	2021 <u>USD</u>	2020 <u>USD</u>
Total comprehensive income	261,063,247	56,130,887	1,600,425	316,596
Depreciation	14,803,802	10,995,594	97,384	58,007
Loan loss provision	<u>38,897,892</u>	<u>11,821,764</u>	<u>235,851</u>	<u>62,365</u>
Cash flows before changes in working capital	314,764,941	78,948,244	1,933,659	436,968
Increase/(decrease) in provision for taxation	74,222,600	13,474,834	450,036	71,086
Changes in working capital				
Decrease/(increase) in receivables and other current assets	(2,313,340)	12,207,166	(14,027)	64,398
Decrease/ (Increase) in short term investments	(28,757,408)	-	(174,360)	-
Decrease/(increase) in deferred tax asset	4,159,785	(551,977)	25,222	(2,912)
Decrease/(increase) in interest receivables	(6,519,284)	6,755,888	(39,529)	35,640
Increase/(decrease) in current liabilities	23,078,038	6,220,954	139,930	32,818
Increase/(decrease) in related party payables	(28,476,668)	(22,128,679)	(172,663)	(116,739)
Advance taxes paid	<u>(17,103,527)</u>	<u>(15,499,146)</u>	<u>(103,704)</u>	<u>(81,765)</u>
Net cash from operations	<u>333,055,139</u>	<u>79,427,284</u>	<u>2,044,559</u>	<u>439,495</u>
Loan disbursements	(4,620,597,602)	(2,878,329,649)	(28,016,215)	(15,184,467)
Loan collections	4,201,644,749	2,786,790,165	25,475,964	14,701,556
Interest receivable written-off	<u>(1,981,561)</u>	<u>(762,594)</u>	<u>(12,015)</u>	<u>(4,023)</u>
Net cash flow from Operating Activities	<u>(87,879,275)</u>	<u>(12,874,794)</u>	<u>(507,706)</u>	<u>(47,440)</u>

The notes on pages 13 to 38 are an integral part of these financial statements

Statement of cash flows (continued)

Cash flow from investing activities

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
Acquisition/(disposal) of fixed assets (Including Intangibles)	(19,420,256)	(15,548,018)	(117,751)	(82,023)
Acquisition/(disposal) of Intangibles assets	(7,733,790)	-	(46,893)	-
(Acquisition)/disposal of Leased assets	<u>(3,499,511)</u>	<u>(7,049,980)</u>	<u>(24,570)</u>	<u>(37,192)</u>
Net cash flow used in investing activities	<u>(19,420,256)</u>	<u>(22,597,998)</u>	<u>(117,751)</u>	<u>(119,215)</u>

Cash flow from financing Activities

Term loans increase/(decrease)	34,034,279	(18,144,273)	206,361	(95,719)
Loan security fund increase/(decrease)	82,800,228	51,426,525	502,045	271,298
Loan security fund written off	-	-	-	-
Donor fund increase/(decrease)	1,863,534	6,741,907	(47,436)	41,870
Donated equity increase/(decrease)	-	(61,226,169)	-	(380,240)
Changes in Lease liability	(89,882)	(2,539,994)	(545)	(13,400)
Share Capital increase / (decrease)	<u>-</u>	<u>61,226,169</u>	<u>-</u>	<u>389,529</u>
Net cash flow from financing activities	<u>118,608,159</u>	<u>34,048,620</u>	<u>720,945</u>	<u>189,629</u>
Net (decrease)/increase in cash and cash equivalents	<u>75,327</u>	<u>5,625,809</u>	<u>24,025</u>	<u>60,167</u>
Cash and cash equivalents at the beginning of the year	215,185,016	209,559,207	1,336,387	1,124,184
Convenience translation reserve	<u>(2,567,280)</u>	<u>-</u>	<u>132,905</u>	<u>152,036</u>
Cash and cash equivalents at the end of the year	<u>212,693,063</u>	<u>215,185,016</u>	<u>1,493,316</u>	<u>1,336,387</u>

The notes on pages 13 to 38 are an integral part of these financial statements

Notes to the financial statement

1. Reporting company

BRAC Liberia Microfinance Company Limited was established in February of 2009. It is a microfinance institution incorporated and domiciled in Liberia. Its main objective is to contribute to the economic rebuilding of Liberia by providing financial services to low-income entrepreneurs, mostly women while serving as a means to improve the agriculture sector through micro businesses. The Company began operations with five (5) branches in Monrovia - Sinkor, Paynesville, Barnesville, Caldwell, and New Kru Town - in April 2009. Currently, it has thirty two (32) branches in eight (8) counties of Liberia out of 15 counties.

2. Basis of preparation

(a) Basis of presentation of the financial statement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Disclosure Guidelines for Financial Reporting by Microfinance Institutions which guidelines are voluntary norms recommended by a consultative group in international donors including the Consultative Group to Assist the Poor (CGAP) and the member of the Small Enterprise Education and Promotion Network (SEP).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except otherwise stated.

(c) Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (United States dollars). Major activities are measured in Liberian dollars and translated to United States dollars. The exchange rates used in the financial statements are as follows: 2021 (**1USD: 142.43 LRD – closing & 164.93 LRD - Average**) and 2020 (**1USD: 161.02 LRD – closing & 189.56 LRD - Average**)

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the applications of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and those differences will be material.

Notes to the financial statements (continued)

Basis of preparation (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Notes 16 Depreciation

Notes 20 Provisions and other liabilities

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the presentation currency at the exchange rate at the statement of financial position date.

(b) Revenue recognition

Service charge on loan

Service charge on loan is recognized in the income statement on all operational loans on an accrual basis. The recognition of interest ceases when a loan is transferred to Non-Interest Bearing Loan (NIBL).

IFRS 15 Revenue from Contracts with Customers

IFRS 15, revenue from contracts with customers, which replaced IAS 18, revenue, and IAS 11, construction contracts, has been applied effectively from January 1, 2019. It applies to all contracts with customers except leases, financial instruments, and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognize revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Company recognizes revenues or when revenue should be recognized gross as a principal or net as an agent. Therefore, BRAC will continue to recognize fee and commission income charged for services provided by the Company as the services are provided (for example on completion of the underlying transaction). Revenue recognition for interest income on loans and advances is recognized based on the requirements of IFRS 9.

Notes to the financial statements (continued)

Significant accounting policies (continued)

(c) Provisions and other liabilities

Provisions for legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(d) Loan administration fees

These are fees paid by each respective group/client on approval of their loan applications. It charged by Company to cover loan processing costs. The amounts are usually paid before the loans are disbursed.

(e) Fixed assets (operating assets)

Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. 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 fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Subsequent costs

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

(e) Fixed assets (operating assets) (continued)

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. Leasehold improvements are amortized over the life of the improvement or the life of the lease, whichever is shorter. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|----------------------------------|----------|
| • Vehicles including motorcycles | 5 years |
| • Furniture | 10 years |
| • Equipment | 5 years |
| • Computers | 3 years |

Assets residual value and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Disposals

Gains or losses on the disposal or scrapping of fixed assets are determined as the difference between the sales price less the cost of dismantling selling and re-establishing the assets and the carrying amount. Any gains or losses are recognized in the income statement as other operating income or expenses respectively.

(f) Intangible (operating assets)

Accounting software

Accounting Software is shown at historic cost. The software has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their useful lives.

The expected useful life of this Software is four years.

Notes to the financial statements (continued)

Significant accounting policies (continued)

(g) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

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

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans, and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial assets and financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost; FVOCI-debt investment; FVOCI-equity investment, or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above, are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the financial statements (continued)

Significant accounting policies (continued)

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains, and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains, and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of Loans and advances to customers, cash and cash equivalents, short term deposits and trade receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e., the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Notes to the financial statements (continued)

Significant accounting policies (continued)

When determining whether the credit risk of financial assets has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing loan fund security; or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized costs are credit-impaired. Financial assets are 'credit-impaired' when one or more events that have detrimental impacts on the estimated future cash flows of the financial assets have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to loans and advances to customers are presented in the statement of profit or loss under "Net movement in impairment losses on loans and advances"

Notes to the financial statements (continued)

Significant accounting policies (continued)

(h) IFRS 16 – Leases

The Company recognizes liabilities in respect of leases that had previously been classified as operating leases under IAS 17. These liabilities were measured as the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 6% as of 31 December 2021. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognized in the statement of financial position at the reporting date.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right-of-use assets are depreciated on a straight-line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit and loss account.

(i) Other Liabilities

Other liabilities include self-insurance funds. BRAC started to set aside a monthly amount equivalent to 1% of the basic salary of local employees from November 2012 to constitute this fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all the local employees. Payments in the event of death or permanent injuries range from twelve-months' equivalent of basic salary in the first year of employment, up to fifty months' equivalent of basic salary for ten years of employment and onwards.

(j) Employee benefits

Pension obligations

The Company operates a defined contribution scheme. A defined-contribution plan is a pension plan under which BRAC pays fixed contributions into a separate entity. The scheme is generally funded through payments to the National Social Security and Welfare Corporation, (NASSCORP) on a mandatory basis.

The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees, the benefits relating to employee services in the current and prior periods. The contributions are recognized as employee benefit expenses when due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available.

End of service benefit

The Company provides end of service benefits to their retirees. The entitlement to these benefits is usually conditional on the completion of a minimum service period.

Medical benefit

The Company provides medical cost reimbursement to all its staff. The maximum benefit availed by staff is USD 1,200/per annum.

Notes to the financial statements (continued)

Significant accounting policies (continued)

(k) Inventory

Inventory items are stated at the lower cost and net realizable value.

(l) Finance income and expenses

Finance income comprises interest received on deposits.

Finance expenses comprise foreign currency losses. All foreign exchange losses and gains are recognized in profit or loss.

(m) Administrative expenses

Administrative expenses comprise expenses relating to administrative staff and management, including office expenses, salaries, and depreciation, as well as other indirect costs.

(n) Borrowings

Borrowings are recognized initially at fair value, being the proceeds net of transaction costs incurred. If the amount borrowed is denominated in Liberian dollars, which is the Company's functional and reporting currency, it is maintained at the initial amount recorded, less any repayments made as at the reporting date. If the amount is denominated in a currency other than the reporting currency of the Company, it is revaluated and adjusted through the income statement at each reporting date.

Borrowings are classified as current liabilities unless when the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

(o) Changes in significant accounting policies

Adoption of new and revised standards

(i) New and amended standards and interpretations

Amendments and interpretations listed below apply for the first time in 2021, but do not have an impact on the financial statements of the Company. All new standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Company).

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021

IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	01-Jan-22
IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.	01-Jan-22

Notes to the financial statements (continued)

Significant accounting policies (continued)

(o) Changes in significant accounting policies (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021 (continued)

IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	01-Jan-22
IAS 16 <i>Property, Plant and Equipment</i> - Amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.	01-Jan-22
IAS 1 <i>Classification of liabilities as current or non-current</i> - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	01-Jan-23
IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i> - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the four-step materiality process' described in IFRS Practice Statement 2.	01-Jan-23
IAS 8 <i>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i> - The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	01-Jan-23
IAS 12 <i>Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> : Amendments aim at clarifying how companies account for deferred tax on leases; when a lessee recognizes an asset and a liability at the lease commencement.	01-Jan-23

Notes to the financial statements (continued)

4. Financial risk factors

The Company's activities expose it to varieties of financial risks, including:

(a) Credit risk

The Company takes on exposures to credit risk which is the risk that clients will be unable to pay amounts in full when due. Credit risk is managed by obtaining collateral in the form of mortgage, personal guarantees, shareholder guarantees, lien on inventories and/or receivables, and assignment of contracts and/or insurance. Impairment provisions are provided for expected losses during the duration of the loans.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding facilities to adequately meet committed obligations. The Company manages this risk by maintaining sufficient cash and investing any excess cash over its anticipated requirements.

(c) Currency risk

BRAC's foreign exchange risks comprise transaction risks that arise from loans received and invoiced in currencies other than the local currency. BRAC also maintains and minimal foreign currency deposits and its cash at bank is placed with licensed financial institutions.

Foreign exchange exposures in transactional currencies other than the local currencies are monitored via periodic cash flow and budget forecasts, hedging for foreign loans against foreign deposits with local financial banks and are kept to an acceptable level.

Notes to the financial statements (continued)

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
5. Service charge on loans				
Group Loans (Microfinance)	674,789,008	434,088,648	4,091,469	2,290,010
Small Enterprise Program	139,480,420	116,452,245	845,716	614,337
Job Holders' Loan	<u>14,001,374</u>	<u>8,795,432</u>	<u>84,895</u>	<u>46,400</u>
Total	<u>828,270,802</u>	<u>559,336,325</u>	<u>5,022,080</u>	<u>2,950,748</u>
6. Membership fees and other charges				
Membership fees	13,606,800	9,065,200	82,503	47,823
Loan appraisal fees	46,205,784	28,718,244	280,161	151,501
Loan application fees	<u>1,112,600</u>	<u>682,800</u>	<u>9,746</u>	<u>3,602</u>
Total	<u>60,925,184</u>	<u>38,466,244</u>	<u>369,410</u>	<u>202,927</u>
7. Other income				
Other Income	67,532,529	2,863,250	409,472	15,105
Grant income	24,555,634	6,944,793	148,889	36,637
Interest Income from Other Investments	271,408	-	1,646	-
Gain due to early repayment	<u>22,361</u>	<u>20,688</u>	<u>136</u>	<u>109</u>
Total	<u>92,381,932</u>	<u>9,828,731</u>	<u>560,142</u>	<u>51,851</u>
8. Impairment losses on loans and advances				
General provision	38,897,892	11,821,764	235,851	62,365
Specific Provision	-	-	-	-
Total	<u>38,897,892</u>	<u>11,821,764</u>	<u>235,851</u>	<u>62,365</u>
9. Staff costs				
Salary & benefits	277,658,587	282,810,023	1,683,536	1,491,948
Bonus	16,434,928	15,392,768	99,650	81,204
NASSCORP	27,196,939	-	164,904	-
Staff medical and insurance	<u>12,572,698</u>	<u>7,386,142</u>	<u>76,232</u>	<u>38,965</u>
Total	<u>333,863,152</u>	<u>305,588,933</u>	<u>2,024,323</u>	<u>1,612,117</u>

Notes to the financial statements (continued)

10. Other operating expenses

Occupancy expenses (Note - 10.1)	30,898,327	33,329,081	187,347	175,826
Staff training and development	2,769,107	982,887	16,790	5,185
Travel and transportation	77,857,777	55,964,343	472,078	295,237
Board and regional meetings	-	-	-	-
Maintenance & general expenses	17,448,301	11,681,493	105,795	61,625
ERP maintenance cost	11,442,419	12,427,825	69,379	65,562
Printing and office stationeries	19,039,001	6,217,174	115,440	32,798
Legal & other professional fees	17,996,157	23,922,568	109,117	126,202
Audit fees	1,543,003	1,446,725	9,356	7,632
Insurance claim	1,700,000	2,007,000	10,308	10,588
Internet expenses	11,740,407	12,004,581	71,186	63,329
Bank charge	5,261,336	4,639,166	31,901	24,474
Fuel & Vehicle expenses	3,483,146	3,048,217	21,119	16,081
Ho Logistic and Mgt expenses	<u>73,559,396</u>	<u>43,159,020</u>	<u>446,015</u>	<u>227,683</u>
Total	<u>274,738,377</u>	<u>210,830,080</u>	<u>1,665,830</u>	<u>1,112,222</u>

Notes to the financial statement (continued)

	<u>2021</u> <u>LRD</u>	<u>2020</u> <u>LRD</u>	<u>2021</u> <u>USD</u>	<u>2020</u> <u>USD</u>
10.1 Occupancy cost				
Rent	13,335,566	22,890,829	80,858	120,759
Utilities	<u>17,562,761</u>	<u>18,639,960</u>	<u>106,489</u>	<u>98,334</u>
Total	<u>30,898,327</u>	<u>41,530,789</u>	<u>187,347</u>	<u>219,093</u>
10.2 Interest expenses on borrowings				
Interest on Bank Loan	10,130,560	8,765,921	61,425	46,244
Fund management fee	<u>156,500</u>	<u>-</u>	<u>949</u>	<u>-</u>
Total	<u>10,287,060</u>	<u>8,765,921</u>	<u>62,374</u>	<u>46,244</u>
11. Taxation				
a) Income tax expenses				
Corp tax- charge for the period	74,222,600	13,333,103	450,036	70,338
Deferred tax expense	-	4,137,087	-	21,825
Deferred tax income	<u>(452,798)</u>	<u>(551,977)</u>	<u>(3,179)</u>	<u>(2,912)</u>
Tax (Credit)/ expense	<u>73,769,802</u>	<u>16,918,213</u>	<u>446,857</u>	<u>89,251</u>
b) Deferred tax assets/ (liability)				
Deferred tax asset	969,236	2,822,730	6,805	17,530
Deferred tax Liabilities	<u>(1,830,795)</u>	<u>(4,137,087)</u>	<u>(12,854)</u>	<u>(25,693)</u>
Deferred tax asset /(liability)	<u>(861,559)</u>	<u>(1,314,357)</u>	<u>(6,049)</u>	<u>(8,163)</u>
c) Advance Tax/ (Tax Payable)				
Balance B / F	(985,120)	(3,009,433)	(6,118)	(18,690)
Adjustment for opening balance	-	(17,873)	-	-
Tax payable for the period	(74,222,600)	(13,315,230)	(450,036)	(70,338)
Adv tax paid during the year	17,103,527	15,499,147	103,704	81,765
Translation difference	<u>-</u>	<u>(141,731)</u>	<u>(55,499)</u>	<u>1,145</u>
Advance Tax/ (Tax Payable)	<u>(58,104,193)</u>	<u>(985,120)</u>	<u>(407,949)</u>	<u>(6,118)</u>

Notes to the financial statements (continued)

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
12. Cash and bank				
Cash in hand	11,097,885	23,228,697	77,918	144,260
Cash at banks:				
Access Bank	50,069,615	43,039,591	351,538	267,293
Afriland First bank Ltd	11,286,844	-	79,245	-
Community Bank	17,463,962	19,294,550	122,614	119,827
ECO Bank	31,895,709	11,828,680	223,940	73,461
Guaranty Trust Bank	6,110,523	2,997,781	42,902	18,617
International Bank	1,972,794	891,498	13,851	5,537
Liberia Bank for Development & Investment	7,142,513	8,511,927	50,148	52,863
GN Bank	12,208,549	8,723,009	85,716	54,173
UBA Bank	61,762,265	95,622,639	433,632	593,856
Lonestar Mobile Money	1,682,404	1,046,644	11,812	6,500
	<u>201,595,178</u>	<u>191,956,319</u>	<u>1,415,398</u>	<u>1,192,127</u>
Total	<u>212,693,063</u>	<u>215,185,016</u>	<u>1,493,316</u>	<u>1,336,387</u>
12.10 Short term investment with the Bank				
Term deposit with UBA	34,376,000	-	200,000	-
Interest on term deposit	271,408	-	1,906	-
Fx translation impact	<u>5,890,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>28,757,408</u>	<u>-</u>	<u>201,906</u>	<u>-</u>

13. LOANS AND ADVANCES TO CUSTOMERS

Group loan (Microfinance)	1,340,666,903	970,772,373	9,412,813	6,028,894
Small enterprises program (SEP)	301,533,999	271,483,267	2,117,068	1,686,022
Job holders' loans	31,974,014	21,251,805	224,489	131,982
Loan written off	(23,501,612)	(8,285,382)	(165,005)	(51,456)
Interest receivable	27,353,948	19,615,697	192,052	121,821
Interest receivable written-off	(1,981,561)	(762,594)	(13,913)	(4,736)
Impairment loss on loans advances	<u>(28,579,272)</u>	<u>(15,164,554)</u>	<u>(200,655)</u>	<u>(94,178)</u>
Total	<u>1,647,466,419</u>	<u>1,258,910,612</u>	<u>11,566,850</u>	<u>7,818,349</u>

Advances to customers are carried at amortized cost. It is estimated that the fair values of advances to customers are approximately the same as the carrying values.

Interest receivable is the amount of interest outstanding on loans that have passed due date.

Loan write off: All loans in the category of Non-Interest-Bearing Loans (NIBL) are referred to the Board for approval to write off. Other Loans can also be written off subject to the Board's approval, where the Board is convinced that the loans are not realizable due to death, relocation of the borrowers, or any other natural or humanitarian disasters that affect the livelihood of the borrowers.

Notes to the financial statements (Continued)

13.1 The movement on loan account is analyzed as shown below:

At 1 January	1,255,222,063	1,171,967,961	7,795,442	6,287,044
Loan disbursed	4,198,799,602	2,878,329,649	25,458,714	15,184,467
Less: Loan repayment	(3,779,846,749)	(2,786,790,165)	(22,918,464)	(14,701,556)
Translation difference	-	-	1,418,678	1,076,942
	1,674,174,916	1,263,507,445	11,754,370	7,846,898
Less: Loans written-of (P)	(23,501,612)	(8,285,382)	(165,005)	(51,456)
Gross advances to customer	1,650,673,304	1,255,222,063	11,589,365	7,795,441
Interest receivable	27,353,948	19,615,697	192,052	121,821
Interest receivable written off	(1,981,561)	(762,594)	(13,913)	(4,736)
Less: Impairment loss on loans advanced (13.2)	<u>(28,579,272)</u>	<u>(15,164,554)</u>	<u>(200,655)</u>	<u>(94,178)</u>
Net advances to customers	<u>1,647,466,419</u>	<u>1,258,910,612</u>	<u>11,566,850</u>	<u>7,818,349</u>

13.2 The movement on the impairment on loans account is shown below:

At 1 January	15,164,554	12,390,766	94,178	78,832
Charge for the year	38,897,892	11,821,764	235,851	62,365
Loans written off (P)	(23,501,612)	(8,285,382)	(165,005)	(51,456)
Interest receivable written off	(1,981,561)	(762,594)	(13,913)	(4,736)
Translation difference	-	-	49,543	9,173
At December 31	<u>28,579,272</u>	<u>15,164,554</u>	<u>200,655</u>	<u>94,178</u>

Credit risk analysis:

	<u>2021</u>	<u>2020</u>
	<u>LRD</u>	<u>LRD</u>
Portfolio at risk (PAR) 30 days		
Total loans in arrear over 30 days	24,744,637	36,407,571
Total loans outstanding	<u>1,650,673,304</u>	<u>1,255,222,063</u>
Portfolio at risk	<u>1.50%</u>	<u>2.90%</u>

The PAR 30 figure denotes the amount of loans outstanding greater than 30 days and may not be fully recoverable. Provisions have been taken against these loans in the financial statements based on Company policy. The Management of BRAC Liberia Microfinance Company is constantly reviewing the PAR>30 numbers and trying to reduce it. The management has reduced from 2.90% to 1.50% through strong field supervision and regular monitoring on client performance.

Notes to the financial statements (continued)

14. Other assets	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
Advance to third parties	-	209,318	-	1,301
Prepaid rent	7,602,548	4,372,230	53,377	27,153
Inventory-passbook	4,487,052	3,200,400	31,504	19,876
Receivable from other country MF - SL	-	1,994,313	-	12,385
Total	<u>12,089,600</u>	<u>9,776,260</u>	<u>84,881</u>	<u>60,715</u>

15. Intangible assets:				
Opening Balance	1,440,041	3,600,103	8,943	22,904
ERP cost during the year	7,733,790	-	54,299	-
Amortised for the year	(864,025)	(2,160,062)	(5,239)	(11,395)
Translation difference	<u>62,908</u>	<u>-</u>	<u>782</u>	<u>(2,566)</u>
Total	<u>8,372,714</u>	<u>1,440,041</u>	<u>58,785</u>	<u>8,943</u>

Notes to the financial statements (continued)

16. Property, plant, and equipment

	Furniture	Equipment	Motor vehicles	Total	Total
	<u>LRD</u>	<u>LRD</u>	<u>LRD</u>	<u>LRD</u>	<u>USD</u>
Costs					
At January 1, 2020	5,818,845	16,736,946	16,155,620	38,711,411	207,668
Additions	2,979,592	12,568,426	-	15,548,018	82,023
Translation difference	-	-	-	-	47,282
At December 31, 2020	<u>8,798,437</u>	<u>29,305,372</u>	<u>16,155,620</u>	<u>54,259,429</u>	<u>336,973</u>
Additions	1,956,325	9,730,141	-	11,686,466	70,859
Translation difference	-	-	-	-	55,174
At December 31, 2021	<u>10,754,762</u>	<u>39,035,513</u>	<u>16,155,620</u>	<u>65,945,895</u>	<u>463,006</u>
Accumulated depreciation					
At January 1, 2020	3,468,493	8,696,267	4,390,446	16,555,206	88,811
Charge for the year	523,473	5,337,990	2,974,069	8,835,532	46,611
Translation difference	-	-	-	-	22,265
At December 31, 2020	<u>3,991,966</u>	<u>14,034,257</u>	<u>7,364,515</u>	<u>25,390,738</u>	<u>157,687</u>
Charge for the year	124,471	3,250,153	2,604,889	5,979,513	36,256
Translation difference	-	-	-	-	26,308
At December 31, 2021	<u>4,116,437</u>	<u>17,284,410</u>	<u>9,969,404</u>	<u>31,370,251</u>	<u>220,250</u>
Written down Value:					
At December 31, 2020	<u>4,806,471</u>	<u>15,271,115</u>	<u>8,791,105</u>	<u>28,868,691</u>	<u>179,286</u>
At December 31, 2021	<u>6,638,325</u>	<u>22,385,494</u>	<u>6,186,216</u>	<u>34,575,644</u>	<u>242,755</u>

Notes to the financial statements (continued)

17. Loan security fund

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
Opening balance	301,486,914	250,060,389	1,872,357	1,341,454
Received during the year	137,025,935	97,866,453	830,834	516,289
Paid off /Adjusted during the year	(54,225,707)	(46,439,928)	(380,718)	(288,411)
Translation difference	-	-	375,605	303,025
Closing balance	<u>384,287,142</u>	<u>301,486,914</u>	<u>2,698,077</u>	<u>1,872,357</u>

The Loan security fund acts as collateral for the customers' loan obligations to BRAC. This is computed as 10% of the customers' approved loans. In the event of defaults, the clients forfeit all or part of the loan security fund to the extent of the amount at risk.

18. Related party payables

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
Payable to BRAC International Holdings B. V	55,651,673	31,706,395	390,730	196,910
Payable to Bangladesh	5,506,954	57,378,672	38,664	356,345
Payable to BRAC Liberia NGO	<u>5,159,402</u>	<u>5,709,630</u>	<u>36,224</u>	<u>35,459</u>
Total	<u>66,318,029</u>	<u>94,794,697</u>	<u>465,618</u>	<u>588,714</u>

The organisation has related party relationship with Stichting BRAC International & BRAC Bangladesh which provide management and administrative services to the organisation.

Notes to the financial statements (continued)

19. Borrowings	2021 LRD	2020 LRD	2021 USD	2020 USD
Loan from KIVA (19.01)	64,490,332	57,970,802	452,786	360,022
Central Bank of Liberia (19.02)	63,939,124	63,939,128	448,916	397,088
Loan from Global Partnership (19.03)	107,151,871	80,672,362	752,313	501,008
Loan Whole Planet Foundation (19.04)	<u>84,534,254</u>	<u>83,499,009</u>	<u>500,000</u>	<u>518,563</u>
	<u>320,115,581</u>	<u>286,081,301</u>	<u>2,154,015</u>	<u>1,776,681</u>

Movement in borrowings:

19.01 Loan from Kiva @ 0%

Opening balance	57,970,802	77,613,189	360,022	416,357
Received during the year	21,712,021	24,658,109	53,563	126,165
Interest payable	-	-	-	-
Principal paid during the year	(9,384,484)	(36,126,211)	55,224	(182,500)
Exchange loss/(gain)	<u>(5,807,643)</u>	<u>(8,174,285)</u>	<u>-</u>	<u>-</u>
	<u>64,490,331</u>	<u>57,970,802</u>	<u>452,786</u>	<u>360,022</u>

The Company received loans from KIVA at 0% interest rate. These loans were received from individual lenders through the KIVA website for on lending. These short-term loans are to be repaid as per the collection status of borrowers, which is usually within one year. The current facility limit is \$800,000.

19.02 Loan from Central Bank of Liberia @ 2%

Opening balance	63,939,132	63,939,132	397,088	343,003
Received during the year	-	-	-	-
Interest payable	1,274,532	1,274,532	8,948	7,915
Paid during the year	(1,274,536)	(1,274,536)	(8,948)	(7,915)
Exchange (gain)	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,085</u>
	<u>63,939,124</u>	<u>63,939,128</u>	<u>448,916</u>	<u>397,088</u>

The Company received US\$ 325,000 on October 19, 2017, and US\$ 228,712 on May 31, 2018, at 2% interest rate which is to be paid on quarterly basis. The principal for each loan is to be repaid to the Central Bank of Liberia as installment basis on October 2023 and December 2024 in equivalent local currency as per amendment agreement.

19.03 Global partnership @ 6.6%

Opening balance	80,672,362	93,392,964	501,008	501,008
Received during the year	88,034,860	-	504,500	-
Principal paid in the year	(39,288,750)	-	(250,000)	-
Interest payable	8,856,028	6,412,665	27,546	33,550
Interest paid during the year	(8,617,047)	(6,255,893)	(16,867)	(33,550)
Exchange (gain)	<u>(22,505,582)</u>	<u>(12,877,373)</u>	<u>(13,875)</u>	<u>-</u>
	<u>107,151,871</u>	<u>80,672,363</u>	<u>752,313</u>	<u>501,008</u>

The company received US\$ 500,000 from Global Partnership on September 03, 2019 and US\$ 504,000 on April 2021 at 6.6% interest rate with quarterly interest repayments. During the year 2021 a total of \$250,000 has been repaid (USD 125,000 on June 20, 2021 and USD 125,000 on December 20, 2021). The outstanding \$750,000 will be repaid into two installments (\$125,000 in June 20,2022 and \$615,000 in December 20, 2022)

19.04 Whole Planet Foundation @ 0%	2021 <u>LRD</u>	2020 <u>LRD</u>	2021 <u>USD</u>	2020 <u>USD</u>
Opening balance	83,499,009	46,310,214	518,563	248,432
Received during the year	-	37,188,795	-	230,958
Interest payable	-	-	-	-
Paid during the year	-	-	-	-
FX loss/ (gain)	<u>1,035,245</u>	<u>-</u>	<u>(18,563)</u>	<u>39,173</u>
	<u>84,534,254</u>	<u>83,499,009</u>	<u>500,000</u>	<u>518,563</u>

The Company received loan amounts for LRD 13,698,378 on 27 June, 2018; LRD 32,611,836 on 9 April 2019 and LRD 37,188,795 in January 23 from Whole Planet Foundation at 0% interest rate. In 2021, Whole Planet Foundation reinvested the installment that was due in July 2021 amounting to \$100,000. The loans are now repayable on April 2022 (\$200,000); July 2022 (\$100,000) that was reinvested and January 2023 (\$100,000).

19.05 Loans classification

	2021 <u>LRD</u>	2020 <u>LRD</u>	2021 <u>USD</u>	2020 <u>USD</u>
Loans repayable in one year	179,099,485	53,953,378	1,257,456	335,073
Loan repayable in more than one year	<u>141,016,096</u>	<u>232,127,923</u>	<u>896,559</u>	<u>1,441,609</u>
Total	<u>320,115,581</u>	<u>286,081,301</u>	<u>2,154,015</u>	<u>1,776,682</u>

Notes to the financial statements (continued)

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
20. Other liabilities				
Bonus Provision	(1)	192,580	(0)	1,196
Self-insurance fund	4,646,167	265,277	32,621	1,647
Provision for audit fee	1,051,150	1,369,475	7,380	8,505
Tax withholding	9,588,996	5,094,928	67,324	31,642
NASSCORP provision	288,197	3,314,702	2,023	20,586
Payable to BRAC IT Services LTD	6,596,962	2,872,339	46,317	17,838
Salary provisions	774,907	949,714	5,441	5,898
Gratuities payable	33,027,374	28,299,773	231,885	175,753
Other provisions	<u>7,138,632</u>	<u>(2,324,442)</u>	<u>50,120</u>	<u>(14,436)</u>
	<u>63,112,383</u>	<u>40,034,345</u>	<u>443,112</u>	<u>248,629</u>

21. Donor funds

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
Donor funds received in advance (Note 21.1)	-	6,741,907	-	41,870
	<u>-</u>	<u>6,741,907</u>	<u>-</u>	<u>41,870</u>

Notes to the financial statements (continued)

21.1 Donor funds received in advance

	2021	2020	2021	2020
	<u>LRD</u>	<u>LRD</u>	<u>USD</u>	<u>USD</u>
Opening balance	6,741,907	-	41,870	-
Donation received during the year (Note 21.1.1)	17,813,725	13,686,700	114,200	85,000
Transferred to deferred income-	-	-	-	-
investment in fixed asset	-	-	-	-
Transferred to statement of income and expenses	(24,555,632)	(6,944,793)	(148,889)	(36,637)
Foreign exchange adjustment	<u>-</u>	<u>-</u>	<u>7,181</u>	<u>(6,493)</u>
Closing Balance	<u>-</u>	<u>6,741,907</u>	<u>-</u>	<u>41,870</u>

21.1.1 Donations received during the year

BRAC USA (Weberg Foundation)	-	13,686,700	-	85,000
BRAC Liberia - KP grants	8,619,780		60,519	
FMO	<u>9,193,945</u>	<u>-</u>	<u>53,681</u>	<u>-</u>
	<u>17,813,725</u>	<u>13,686,700</u>	<u>114,200</u>	<u>85,000</u>

22. Share capital

Name	% of holding				
BRAC International Holdings BV	100%	<u>339,339,071</u>	<u>339,339,071</u>	<u>4,076,145</u>	<u>4,076,145</u>
		<u>339,339,071</u>	<u>339,339,071</u>	<u>4,076,145</u>	<u>4,076,145</u>

23. Share premium

BRAC International Holdings BV	120,755,662	59,529,493	889,529	500,000
Received from donated equity	<u>-</u>	<u>61,226,169</u>	<u>-</u>	<u>389,529</u>
Total	<u>120,755,662</u>	<u>120,755,662</u>	<u>889,529</u>	<u>889,529</u>

24. Share premium

Opening balance	363,765,987	235,096,375	2,045,879	1,261,179
Profit for the year	222,801,021	34,225,650	1,350,589	182,051
Transferred from donated equity	<u>-</u>	<u>94,443,963</u>	<u>-</u>	<u>600,865</u>
Closing Balance	<u>586,513,008</u>	<u>363,765,987</u>	<u>3,396,468</u>	<u>2,045,879</u>

Notes to the financial statements (continued)

25. Lease assets

	2021 LRD	2020 LRD	2021 USD	2020 USD
(a) ROU (Right of use) asset	10,304,329	11,434,001	63,994	61,338
Additions during the year	3,499,511	7,049,980	24,570	37,192
Accumulated Depreciation of ROU assets	(7,669,955)	(8,179,652)	(53,851)	(43,151)
Translation difference	-	-	8,353	8,614
Net ROU assets	<u>6,133,885</u>	<u>10,304,329</u>	<u>43,066</u>	<u>63,993</u>
 (b) Lease liability	 4,238,908	 4,328,790	 29,761	 26,884
Classification				
Lease liabilities =<1 year	2,343,932	2,150,799	16,457	13,358
Lease liabilities =>1 year	1,894,977	2,177,991	13,305	13,526
	<u>4,238,908</u>	<u>4,328,790</u>	<u>29,761</u>	<u>26,884</u>
 (c) Expenses				
Depreciation expense (ROU)	7,669,955	8,179,652	53,851	43,151
Interest on lease liability	290,310	305,494	2,038	1,612
Total Lease expenses	<u>7,960,265</u>	<u>8,179,652</u>	<u>55,889</u>	<u>43,151</u>

26. Contingent liabilities

In the year 2021, A Credit Officer of BLMCL, complained that BLMCL has wrongfully dismissed her for dereliction of duty which resulted in Credit Officers giving out fraudulent loans that were approved by the credit Officer. The Credit Officer filed a complaint with the Labor Ministry in Bong County, BLMCL filed a Motion to dismiss the complaint for lack of jurisdiction that was denied leading to an Application to the Supreme Court to review the lower court's ruling.

This case is pending a review at the Supreme Court after the 9th Judicial Circuit court denied BLMCL's application to have the case transferred to Monrovia for hearing.

27. Capital expenditure commitments

There were no material capital expenditure commitments either authorized or contracted as on December 31, 2021 (2020: Nil).

28. Subsequent events

There was no subsequent event after the balance sheet date which has an impact on the financial statements presented herein.