

**BRAC Microfinance (SL) Limited**

Financial Statements  
for the year ended 31 December 2021

*This report contains 38 pages*  
Ref: L10/sl/bow

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## General Information

Directors	:	Mr Shameran Abed	-	Chairperson (Appointed on 1 August 2021)
		Dr. Muhammad Musa	-	Chairperson (Resigned on 31 July 2021)
		Mr. Johannes Maria Antonius Eskes	-	Director
		Mr. Syed Abdul Muntakim	-	Director
		Ms. Ruth Okowa	-	Director
		Mr. Rafiqul Islam	-	Chief Executive Officer
Registered Office	:	43 Freetown Road, Lumley Freetown Sierra Leone		
Bankers	:	Standard Chartered Bank Rokel Commercial Bank Sierra Leone Limited Ecobank SL Ltd First International Bank Ltd Sierra Leone Com. Bank Ltd. Union Trust Bank Ltd. Yoni Community Bank Zenith Bank (SL) Ltd.		
Auditor	:	Baker Tilly SL Chartered Accountants Baker Tilly House 37 Siaka Stevens Street Freetown.		

## **Report of the Directors**

The Directors have pleasure in submitting their report and financial statements on the affairs of the Company for the year ended 31 December 2021.

### **Principal activity**

The Company is engaged in micro credit financing activities.

### **Directors' responsibility statement**

The Company's Directors are responsible for the preparation and presentation of the financial statements, comprising the financial position as at 31 December 2021 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the report of the Directors in accordance with note 3 of the financial statements, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Capital adequacy**

The Bank of Sierra Leone is required to prescribe a minimum capital adequacy ratio for financial institutions, but this is yet to be determined for micro financing institutions.

### **Results for the year**

The Company made a profit of SLL 22.90 billion for the year ended 31 December 2021 (2020: profit of SLL 8.36 billion).

### **Directors and their interest**

The names of the Directors are detailed on page 1. None of the Directors had any interest in the share capital of the Company and no Director has or had during the period, a material interest in any contract or arrangement of significance to which the Company was or is a party.

### **Property and equipment**

Details of the Company's property and equipment are shown in note 16 to the financial statements

### **Employment of disabled people**

BRAC Microfinance (SL) Limited is an equal opportunity employer and adheres strictly to the principle of meritocracy and fairness in all making. Discrimination of any individual employee or group of employees on the basis of sex, nationality or religion by another employee or group of employee, if proven, will be regarded as a sanctionable offence. There were no disabled people in employment of the Company as at 31 December 2021.



## Report of the Directors (continued)

### Health, safety and welfare at work

BRAC Microfinance (SL) Limited supports the physical and emotional wellbeing of its employees. Therefore, the Company provides paid sick leave to all personnel.

### Employee involvement and training

BRAC Microfinance (SL) Limited is committed to the smooth progression of its employees to meet current and future needs of the Company and career aspirations of employees. The Company has a career track to ensure that progression of appropriately skilled and experienced employees meet current and future needs of the Company and its employees.

Training and development in BRAC Microfinance (SL) Limited is a continuous, formal process of improving individual performance and competency. Training serves as a vehicle for the transfer and development of requisite skills and aims at building up an empowered workforce. Annual training plans are developed to align with the Company strategy and design to support specific performance objectives for each year.

### The Board Members

The following members served during the year:

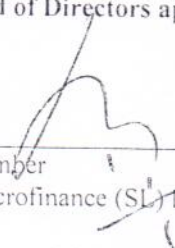
Mr Shameran Abed Chairperson (Appointed on 1 August 2021)  
Dr. Muhammad Musa Chairperson (Resigned on 31 July 2021)  
Mr. Johannes Maria Antonius Eskes  
Mr. Syed Abdul Muntakim  
Ms. Ruth Okowa  
Mr. Rafiqul Islam Chief Executive Officer

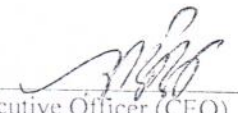
### Auditors

The Auditors have indicated their willingness for continued in office, and in accordance with Section 308 of the Sierra Leone Companies Act 2009, a resolution for the re-appointment of Baker Tilly SL as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

### Approval of the financial statements

The Board of Directors approved the financial statements on ..... 2022.

  
Board Member  
BRAC Microfinance (SL) Limited

28 APRIL  
  
Chief Executive Officer (CEO)  
Rafiqul Islam  
BRAC Microfinance (SL) Limited

## **Independent Auditor's Report to the Board of Directors of BRAC Microfinance (SL) Limited**

### **Opinion**

We have audited the financial statements of BRAC Microfinance (SL) Limited which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 38.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Microfinance (SL) Limited as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with the significant accounting policies adopted by the Company as stated in note 3 of the financial statements.

### **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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The Directors are responsible for the preparation and presentation of these financial statements in accordance with the significant accounting policies stated in note 3 of the financial statements, and for such internal control as the Directors determine is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.



## **Independent Auditor's Report to the Board of Directors of BRAC Microfinance (SL) Limited (continued)**

### **Auditors' responsibility for 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 the Directors.
- Conclude on the appropriateness of the Directors' 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 organisation 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.

**Independent Auditor's Report to the  
Board of Directors of BRAC Microfinance (SL) Limited (continued)**

**Auditors' responsibility for the financial statements (continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the organisation's 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.

**Other matter**

The financial statements have been prepared in accordance with the basis of accounting described in note 3 of the financial statements, for the purpose of determining the financial position of BRAC Microfinance (SL) Limited for use by its management and BRAC International, and the financial statements and related auditor's report may not be suitable for another purpose. Our report is intended solely for the management of BRAC Microfinance (SL) Limited and BRAC International and should not be distributed to or used by parties other than the management of BRAC Microfinance (SL) Limited and BRAC International.

The engagement partner on the audit resulting in this independent auditors' report is Derrick Kawaley.

**Freetown**

  
**Chartered Accountants**

Date: 28 April 2022

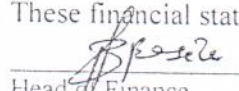


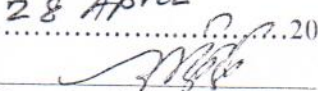
**Statement of Financial Position**  
as at 31 December 2021

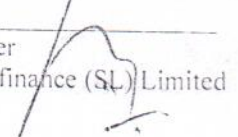
In thousands of Leones/ USD

	Notes	2021	SLL 2020	2021	USD 2020
<b>Asset</b>					
Cash and cash equivalents	12	20,806,115	11,032,381	1,848	1,089
Loans and advances to customers	13	124,713,036	91,721,455	11,080	9,051
Other assets	14	508,505	497,507	45	48
Intangible assets	15	-	68,241	-	7
Property and equipment	16	938,023	816,876	83	81
Right of use asset	17	663	33,228	-	4
Deferred tax asset	11(c)	3,311,720	1,334,160	294	131
<b>Total assets</b>		<b>150,278,062</b>	<b>105,503,848</b>	<b>13,350</b>	<b>10,411</b>
<b>Liabilities</b>					
Loan security fund	18	21,984,193	16,129,637	1,953	1,592
Related party payables	19	7,923,624	11,814,547	704	1,166
Borrowings	20	21,399,840	4,929,608	1,901	486
Lease liability	21	119,314	119,191	11	12
Other liabilities	22	4,335,841	4,182,455	385	413
Donor funds	23	1,969,000	1,969,000	175	194
Current tax liability	11b	6,690,675	2,101,294	594	207
<b>Total liabilities</b>		<b>64,422,487</b>	<b>41,245,732</b>	<b>5,723</b>	<b>4,070</b>
<b>Capital fund</b>					
Share capital	24(a)	12,244,890	12,244,890	3,061	3,061
Share premium	24(b)	28,382,107	28,382,107	3,656	3,656
Retained earnings	25	45,228,578	23,631,119	4,567	2,505
Donated equity	26	-	-	-	-
Translation reserve	27	-	-	(3,657)	(2,881)
<b>Total capital fund</b>		<b>85,855,575</b>	<b>64,258,116</b>	<b>7,627</b>	<b>6,341</b>
<b>Total liabilities and capital fund</b>		<b>150,278,062</b>	<b>105,503,848</b>	<b>13,350</b>	<b>10,411</b>

These financial statements were approved by the Board of Directors on 28 April 2022

  
Head of Finance  
Besira Bedasa Negewo  
BRAC Microfinance (SL) Limited

  
Chief Executive Officer (CEO)  
Rafiqul Islam  
BRAC Microfinance (SL) Limited

  
Board Member  
BRAC Microfinance (SL) Limited

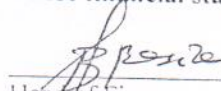
The notes on pages 11 to 38 are an integral part of these financial statements

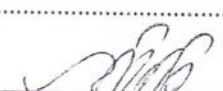
**Statement of Comprehensive Income**  
for the year ended 31 December 2021

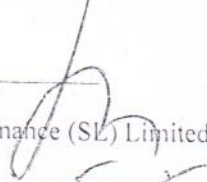
In thousands of Leones/USD

		SLL		USD	
	Notes	2021	2020	2021	2020
Service charge on loans	5	61,180,798	38,383,945	5,839	3,905
<b>Net income from service charge</b>		<b>61,180,798</b>	<b>38,383,945</b>	<b>5,839</b>	<b>3,905</b>
Membership and other fees	6	3,304,897	1,966,727	315	200
Other income	7	7,319,529	16,342	699	2
<b>Total operating income</b>		<b>71,805,224</b>	<b>40,367,014</b>	<b>6,853</b>	<b>4,107</b>
Net impairment loss on loans and advances to customers	8	(7,841,708)	(2,499,226)	(748)	(254)
<b>Operating income after impairment charges</b>		<b>63,963,516</b>	<b>37,867,788</b>	<b>6,105</b>	<b>3,853</b>
Staff costs	9	(17,564,492)	(14,516,133)	(1,676)	(1,477)
Other operating expenses	10	(15,393,668)	(11,379,495)	(1,469)	(1,157)
Depreciation & amortization	15 & 16	(427,183)	(423,866)	(41)	(43)
Depreciation on right of use asset	17	(32,565)	(162,469)	(3)	(17)
Interest on lease liability	21	(123)	(17,950)	-	(2)
<b>Total operating expenditure</b>		<b>(33,418,031)</b>	<b>(26,499,913)</b>	<b>(3,189)</b>	<b>(2,696)</b>
<b>Profit before income tax</b>		<b>30,545,485</b>	<b>11,367,875</b>	<b>2,916</b>	<b>1,157</b>
Income tax expense	11(a)	(7,650,482)	(3,006,422)	(730)	(306)
<b>Net profit for the year</b>		<b>22,895,003</b>	<b>8,361,453</b>	<b>2,186</b>	<b>851</b>
<b>Other comprehensive income:</b>					
Unrealized exchange loss		(1,297,544)	(272,904)	(124)	(28)
<b>Total other comprehensive income</b>		<b>21,597,459</b>	<b>8,088,549</b>	<b>2,062</b>	<b>823</b>
<b>Total comprehensive profit for the year</b>		<b>21,597,459</b>	<b>8,088,549</b>	<b>2,062</b>	<b>823</b>

These financial statements were approved by the Board of Directors on 28 April 2022

  
Head of Finance  
Besira Bedasa Negewo  
BRAC Microfinance (SL) Limited

  
Chief Executive Officer (CEO)  
Rafiqul Islam  
BRAC Microfinance (SL) Limited

  
Board Member  
BRAC Microfinance (SL) Limited

The notes on pages 11 to 38 are an integral part of these financial statement



**Statement of Changes in Equity**  
for the year ended 31 December 2021

<i>In thousands of Leones/ USD</i>	Share capital SLL	Share premium SLL	Retained earnings SLL	Donated equity SLL	Total SLL	Total USD	Translation reserve USD	Total capital fund USD
At 1 January 2021	12,244,890	28,382,107	23,631,119	-	64,258,116	9,222	-2,881	6,341
Donations received during the year	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-
Profit for the year	-	-	22,895,003	-	22,936,406	2,186	-	2,186
Unrealized exchange (loss)	-	-	(1,297,544)	-	(1,297,544)	(124)	-	(124)
Translation adjustment	-	-	-	-	-	-	(776)	(776)
<b>As at 31 December 2021</b>	<b>12,244,890</b>	<b>28,382,107</b>	<b>45,228,578</b>	<b>-</b>	<b>85,896,978</b>	<b>11,284</b>	<b>-3,657</b>	<b>7,627</b>
At 1 January 2020	12,244,890	8,058,000	15,542,570	20,324,107	56,169,567	8,399	(2,620)	5,779
Donations received during the year	-	-	-	-	-	-	-	-
Share premium	-	20,324,107	-	(20,324,107)	-	-	-	-
Profit for the year	-	-	8,361,453	-	-	851	-	851
Unrealized exchange (loss)	-	-	(272,904)	-	-	(28)	-	(28)
Translation adjustment	-	-	-	-	-	-	(261)	(261)
<b>As at 31 December 2020</b>	<b>12,244,890</b>	<b>28,382,107</b>	<b>23,631,119</b>	<b>-</b>	<b>56,169,567</b>	<b>9,222</b>	<b>(2,881)</b>	<b>6,341</b>

The notes on pages 11 to 38 are an integral part of these financial statements



**Statement of Cash Flows**  
for the year ended 31 December 2021

In thousands of Leones/ USD	Note	SLL		USD	
		2021	2020	2021	2020
Cash flow from operating activities	28	27,326,564	11,134,869	2,479	1,135
Loan disbursements		(280,314,790)	(167,287,767)	(26,754)	(17,018)
Loan collection		240,917,138	157,134,808	22,994	15,985
<b>Net cash flow from operating activities</b>		<b>(12,071,088)</b>	<b>981,910</b>	<b>(1,281)</b>	<b>102</b>
Cash flow from investing activities					
Acquisition of property and equipment	16	(480,089)	(392,833)	(46)	(39)
Acquisition of right of use assets	17	-	(15,877)	-	(2)
<b>Net cash used in investing Activities</b>		<b>(480,089)</b>	<b>(408,710)</b>	<b>(46)</b>	<b>(41)</b>
Cash flow from financing activities					
Changes in borrowing		16,470,232	2,360,779	1,415	240
Changes in lease liability	21	123	17,827	(1)	2
Changes in loan security fund		5,854,556	1,694,039	361	172
Changes in donor fund		-	-	(19)	-
Increase in share premium		-	20,324,107	-	2,656
Changes in donated equity		-	(20,324,107)	-	(2,656)
<b>Net cash from financing activities</b>		<b>22,324,911</b>	<b>4,072,645</b>	<b>1,756</b>	<b>414</b>
Net (decrease)/increase in cash and cash equivalents		<b>9,773,734</b>	<b>4,645,845</b>	<b>429</b>	<b>475</b>
Cash and cash equivalents at 1 January		11,032,381	6,386,536	1,089	657
Translation adjustment		-	-	330	(43)
<b>Cash and cash equivalents as at 31 December</b>		<b>20,806,115</b>	<b>11,032,381</b>	<b>1,848</b>	<b>1,089</b>

The notes on pages 11 to 38 are an integral part of these financial statements

## Notes to the Financial Statements

### 1. Reporting entity

BRAC Microfinance (SL) Limited was incorporated in Sierra Leone on 23<sup>rd</sup> January 2009. Its principal activity is the provision of micro finance loans. It commenced full operation in June 2009. The address of its head office is 174 Wilkinson Road in Freetown.

### 2. Basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with note 3 of these financial statements.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis using the accruals concept.

#### (c) Fundamental and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Sierra Leones (SLL) and United States dollars (USD) which are the organisation's functional and presentation currencies.

#### (d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any 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 recognised in the financial statements are described in the notes 14.2: Impairment allowance for loan losses.

### 3. Significant accounting policies

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

#### (a) Foreign currency

##### Foreign currency transactions and conversions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss as other comprehensive income.



## Notes to the financial statements *(continued)*

### 3. Significant accounting policies *(continued)*

#### (b) Service charge on loan

Service charge on loan is recognised on an accrual basis. The recognition ceases when a loan is transferred to Non - Interest Bearing Loan (NIBL) as described in note 3(h). Service charge is recognised thereafter only when it is received.

#### (c) Other income

Other income comprises foreign exchange currency gain and bank interest. All realised foreign exchange gain and losses are recognized in the profit and loss for the year, whilst all unrealised foreign exchange gains and losses are shown as other comprehensive income, after arriving at the profit or loss for the year. Unrealised foreign exchange gains and losses are not included in the computation of the tax expense for the year.

#### (d) Fees and commission income

Membership fees and other charges are recognised on an accrual basis when the service has been provided.

#### (e) Administrative expenses

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

#### (f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances with other banks and unpledged fixed deposits with original maturities of less than three months, which are subject to insignificant risk of changes in their value and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the balance sheet.

#### (g) Property and equipment (operating assets)

##### (i) 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 labour, 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 capitalised as part of that equipment.

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

##### (ii) Subsequent costs

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



## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leasehold assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

To meet the requirements of the latest changes in International Financial Reporting Standards (IFRS), Dutch GAAP and local GAAP, the group financial manual was revised which resulted in changes in the useful lives for some asset categories effective 1 January 2020.

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

	Rates		Useful life	
	Old	New	Old	New
Motor vehicles/Cycles	20%	20%	5 years	5 years
Computer equipment	20%	33.33%	5 years	3 years
Furniture and fittings	10%	10%	10 years	10 years
Equipment	15%	20%	6.7 years	5 years

The impact of the changes is shown below:

In thousands of Leones/USD	SLL	USD
Depreciation (computer)	54,729	6
Depreciation (equipment)	4,488	-
	<u>59,217</u>	<u>6</u>
Accumulated depreciation	<u>59,217</u>	<u>6</u>

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

#### (iv) Disposals

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

#### (h) Intangible (operating assets)

##### Accounting software

Accounting Software is shown at historic cost. 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 the Software is four years or 25%.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (i) IFRS 9 Financial Instrument

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.

Changes in accounting policies resulting from adoption of IFRS9 have been applied retrospectively.

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 of 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)

### 3. Significant accounting policies (continued)

#### (i). IFRS 9 Financial Instruments (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.

Loans and advances to customers that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

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 default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of financial assets have 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.



## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (i) IFRS 9 Financial Instruments (continued)

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).

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost 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". For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

#### (j). 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 effective from 1 January 2018. 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 requirements of IFRS 9.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (k) IFRS 16 Leases

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

##### Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and were not reassessed for whether there is a lease under IFRS 16.

##### As a lessee

As a lessee, the Company leases some branch and office premises. The Company previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for leases of branches and office premises the Company has elected not to separate non lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. See note 17 and 21 for details of right of use assets and lease liability respectively.



## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (k) IFRS 16 Leases (continued)

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets (i.e. IT equipment);
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

#### (l) Provisions

Provisions for legal claims are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Other Liability also includes Self Insurance Fund for local staffs of BRAC Microfinance (SL) Ltd. The Company sets aside a monthly amounts equivalent to 1% of the basic salary of local employees, to constitute this self-insurance fund. This fund is to cover liabilities arising out of death and other permanent injuries suffered by all the local employees. The payment in the event of death or permanent injury is ranging from 12 months' equivalent of basic salary in the first year of employment, up to 50 months' equivalent of basic salary for 10th year of employment onwards.

#### (m) Loan security deposit

BRAC accepts 10% of the loan disbursed amount to customers as collateral. This amount is being refunded to customers when they retire or are terminated from membership. It is interest free.

#### (n) Inventories

Inventories are stated at cost based on selling price less average mark-up, and other inventories are stated at cost. Cost is determined using the weighted average basis. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Provision is made for obsolete or slow moving items, to reduce their carrying amounts to net realizable value.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (o) Employee benefit

##### (i) Pension obligations

The Company's operates a defined contribution scheme. A defined contribution plan is a pension plan under which the Company's pays fixed contributions into a separate entity. The scheme is generally funded through payments to the National Social Security and Insurance Trust on a mandatory basis. The Company's 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 service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (ii) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

##### (iii) Short-term benefits

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

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

##### (iv) Medical benefits

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

#### (p) Share capital

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



## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (o) Employee benefit (continued)

#### (q) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it's recognised in equity or other comprehensive income.

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

Income tax payable on profits, based on the applicable tax law in Sierra Leone is recognised as an expense in the period in which the profits arise. The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Unrealised exchange gains and losses are shown as part of other comprehensive income and are not subject to tax

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (r) 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).

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

#### (r) 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

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
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 a variety of financial risks, including:

#### **(a) Credit risk**

The Company's takes on exposures to credit risk, which is the risk that a client may be unable to pay amounts in full when due. Credit risk is managed by obtaining moral guarantee from group members to bear responsibility for repayment of both principal and interest amount when they are due. All repayments are made in groups and not individually. Impairment provisions are provided for losses that may have been incurred at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

All clients depending on the type of loan makes cash collateral savings and this can also be used to offset outstanding loan amounts due. A ten percent savings is made for all loans.

#### **(b) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Company's manages this risk by maintaining sufficient cash, and investing any excess cash over its anticipated requirements.

#### **(c) Market risks**

Market risk is the risk that changes in market price, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### **(d) Currency risk**

Currency exchange risks comprise transactions risk which arise from donor grants received in currencies other than the local currency and minimal foreign currency deposits and cash at bank placed with licensed financial institutions.

Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic cash flow and budget forecasts and are kept to an acceptable level

## Notes to the financial statements (continued)

### 5. Service charge on loans

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Group loans (Microfinance)	31,887,239	20,340,391	3,043	2,069
Small Enterprises program	23,999,912	16,910,492	2,291	1,720
Without Collateral Loan	2,484,610	543,513	237	55
Job Holder Loan	2,760,579	589,549	263	61
Agrifinance	48,458	-	5	-
	<u>61,180,798</u>	<u>38,383,945</u>	<u>5,839</u>	<u>3,905</u>

### 6. Membership and other fees

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Loan appraisal fee	2,803,148	1,616,951	268	164
Membership fee	296,046	204,570	28	21
Loan application fee	67,298	40,992	6	4
Sales of passbook	138,405	104,214	13	11
	<u>3,304,897</u>	<u>1,966,727</u>	<u>315</u>	<u>200</u>

### 7. Other income

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Gain due to early repayment	6,612	2,798	1	-
Other income	7,312,917	13,544	698	2
	<u>7,319,529</u>	<u>16,342</u>	<u>699</u>	<u>2</u>

### 8. Impairment losses on loans

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
General provision	7,841,708	2,499,226	748	254
	<u>7,841,708</u>	<u>2,499,226</u>	<u>748</u>	<u>254</u>



## Notes to the financial statements (continued)

### 9. Staff costs

*In thousands of Leones / USD*

		SLL		USD
	2021	2020	2021	2020
Salaries and benefits	15,005,743	12,574,117	1,432	1,279
Bonus cost	918,363	724,956	88	74
Severance allowances cost	618,313	590,535	59	60
NASSIT Cost	421,532	403,360	40	41
Insurance costs	152,925	43,541	15	4
Medical expenses	447,616	179,624	42	19
	<u>17,564,492</u>	<u>14,516,133</u>	<u>1,676</u>	<u>1,477</u>

### 10. Other operating expenses

*In thousands of Leones / USD*

		SLL		USD
	2021	2020	2021	2020
Occupancy expenses (Note-11.1)	1,449,619	1,075,123	138	109
Staff training and development	279,069	134,021	27	14
Travel and transportation	3,354,426	2,579,064	320	262
Maintenance and general expenses	1,284,904	655,347	123	67
Printing and office stationery	825,612	587,941	79	60
Legal and professional fees	268,696	1,573,328	26	160
Audit fees	110,918	110,918	11	11
Bank Charges	873,035	723,577	83	74
Internet expenses	551,900	425,353	53	43
Insurance claim	159,250	127,750	15	13
Software cost (ERP)	659,399	516,951	63	53
Accounts receivable write off	-	36,435	-	4
HO logistics and management expenses	5,576,840	2,603,980	531	265
COVID-19 expenses	-	229,707	-	22
	<u>15,393,668</u>	<u>11,379,495</u>	<u>1,469</u>	<u>1,157</u>

#### 10.1. Occupancy expenses

*In thousands of Leones / USD*

		SLL		USD
Rent	979,074	813,095	93	82
Utilities	470,545	262,028	45	27
	<u>1,449,619</u>	<u>1,075,123</u>	<u>138</u>	<u>109</u>





## Notes to the financial statements (continued)

### 11. Taxation

#### 11(a) Tax expense

Recognised in the income statement

*In thousands of Leones/USD*

	SLL		USD	
	2021	2020	2021	2020
Income tax expense	9,628,041	3,604,983	919	367
Deferred tax credit	(1,977,560)	(598,561)	(189)	(61)
	<u>7,650,481</u>	<u>3,006,422</u>	<u>730</u>	<u>306</u>

#### 11(b) Income tax account

*In thousands of Leones/USD*

	SLL		USD	
	2021	2020	2021	2020
Opening balance	(2,101,294)	(3,094,347)	(203)	(318)
Corporation tax charge	(9,628,041)	(3,604,983)	(950)	(367)
Payment during the year	5,038,660	4,598,036	481	468
Translation difference	-	-	78	10
Current tax liability	<u>(6,690,675)</u>	<u>(2,101,294)</u>	<u>(594)</u>	<u>(207)</u>

#### Reconciliation of effective tax rate

*In thousands of Leones/USD*

	SLL		USD	
	2021	2020	2021	2020
Profit before income tax	30,566,017	11,367,875	2,917	1,157
Income tax on profit before tax	<u>7,641,504</u>	<u>2,841,969</u>	<u>729</u>	<u>289</u>
Tax impact of permanent difference:				
Tax adjustment- due to change in tax rate	11,754	167,554	1	17
Tax incentives	(2,776)	(3,101)	-	-
	<u>7,650,482</u>	<u>3,006,422</u>	<u>730</u>	<u>306</u>

Notes to the financial statements (continued)

11. Taxation (continued)

11(c) Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

	2021			2020		
	Asset	Liability	Net	Asset	Liability	Net
<i>In thousands of Leones</i>						
Property and equipment	-	(102,548)	(102,548)	-	(85,416)	(85,416)
Impairment allowance	(2,932,360)		(2,932,360)	(971,932)	-	(971,932)
Tax loss Carried forward	-	-	-	-	-	-
Unrealised exchange Loss	(276,812)	-	(276,812)	(276,812)	-	(276,812)
Deferred tax asset not recognised	-	-	-	-	-	-
	<u>(3,209,172)</u>	<u>(102,548)</u>	<u>(3,311,720)</u>	<u>(1,248,744)</u>	<u>(85,416)</u>	<u>(1,334,160)</u>

Movement in temporary differences during the year – 2021

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
<i>In thousands of Leones</i>				
Property and equipment	(85,416)	(17,132)	-	(102,548)
Impairment allowance	(971,932)	(1,960,428)	-	(2,932,360)
Tax loss carried forward	-	-	-	-
Unrealised exchange loss	(276,812)	-	-	(276,812)
Deferred tax asset not recognised	-	-	-	-
	<u>(1,334,160)</u>	<u>(1,977,560)</u>	<u>-</u>	<u>(3,311,720)</u>



Notes to the financial statements (continued)

11. Taxation (continued)

11(c) Deferred tax asset and liabilities (continued)

Recognised deferred tax asset and liabilities

Movement in temporary differences during the year – 2020

<i>In thousands of Leones</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	(68,746)	(16,671)	-	(85,417)
Impairment allowance	(416,549)	(555,381)	-	(971,930)
Tax loss carried forward	-	-	-	-
Unrealised exchange loss	(250,304)	(26,509)	-	(276,813)
Deferred tax asset not recognised	-	-	-	-
	<u>(735,599)</u>	<u>(598,561)</u>	<u>-</u>	<u>(1,334,160)</u>

12. Cash and cash equivalents

<i>In thousands of Leones/USD</i>		SLL		USD	
		2021	2020	2021	2020
Cash at bank	12.1	20,075,370	10,387,337	1,784	1,025
Cash in hand		730,744	645,044	65	64
		<u>20,806,114</u>	<u>11,032,381</u>	<u>1,849</u>	<u>1,089</u>

# Notes to the financial statements (continued)

## 12. Cash and cash equivalents (continued)

### 12.1. Cash at bank

<i>In thousands of Leones/USD</i>	SLL		USD	
	2021	2020	2021	2020
Vista Bank (formerly First International Bank (SI) Ltd)	17,422,333	7,180,255	1,548	709
Rokel Commercial Bank SI Ltd	341,243	169,956	30	17
Union Trust Bank LTD.	1,092,369	581,957	97	57
Yoni Community Bank	335,110	279,700	30	28
Zenith Bank (SL) Ltd	116,886	146,689	10	14
Standard Chartered Bank (SL) Ltd				
USD	185,433	1,682,960	16.00	166
Standard Chartered Bank (SL) Ltd	9,721	256,345	1.00	25
Marampa Masimera Community Bank	222,488	89,475	20	9
Segbwema Community Bank	144,099	-	13	-
Bank of Sierra Leone	141,819	-	13	-
Pendembu Community Bank Limited	43,023	-	4	-
Kamakwie Community Bank Limited	20,846	-	2	-
	<u>20,075,370</u>	<u>10,387,337</u>	<u>1,784</u>	<u>1,025</u>

## 13. Loans and advances to customers

<i>In thousands of Leones/USD</i>	SLL		USD	
	2021	2020	2021	2020
Group loans	56,255,014	43,049,665	4,998	4,248
Small enterprises program	62,030,513	42,348,054	5,511	4,179
Without collateral loan	6,241,089	4,120,805	554	407
Job Holder Loan	6,895,842	4,070,320	613	401
Agrifinance	342,161	-	30	-
Loan written off (P)	(5,619,938)	(1,221,877)	(499)	(121)
Interest receivable	3,640,844	2,329,466	323	230
Interest receivable written off	(826,849)	(124,260)	(73)	(12)
Impairment loss on loans and advances	(4,245,640)	(2,850,718)	(377)	(281)
	<u>124,713,036</u>	<u>91,721,455</u>	<u>11,080</u>	<u>9,051</u>

Loans and advances to customers are carried at amortized cost. It is estimated that the fair values of loan and advances to customers are approximately the same as the carrying values. All loans and advances to customers are unsecured.



## Notes to the financial statements (continued)

### 13. Loan and advance to customers (continued)

Loans within the maturity period are considered "Current Loans". Loans which remains outstanding after the expiry of their maturity period are considered as "Late Loans". Late loans which remain unpaid after one year being classified are considered as "Non-Interest-bearing loans" (NIBL) and are referred to the Board for write off. Apart from that any loans can be written off subject to the approval of the board where the board thinks that it is not realizable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers. Subsequent recoveries are credited as income in the statement of comprehensive income.

#### 13.1. Movement on the loan account

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
Opening balance	92,366,967	83,435,885	9,114	8,587
Loans disbursed	280,314,790	167,287,767	26,754	17,018
Loans repayments(P)	(240,917,138)	(157,134,808)	(22,994)	(15,985)
Translation difference	-	-	(1,168)	(385)
	<u>131,764,619</u>	<u>93,588,844</u>	<u>11,706</u>	<u>9,235</u>
Principal -written off	(5,619,938)	(1,221,877)	(499)	(121)
Gross loans to customers	<u>126,144,681</u>	<u>92,366,967</u>	<u>11,207</u>	<u>9,114</u>
Interest receivable	3,640,844	2,329,466	323	230
Interest receivable: written off	(826,849)	(124,260)	(73)	(12)
Impairment loss on loans advance	(4,245,640)	(2,850,718)	(377)	(281)
	<u><u>124,713,036</u></u>	<u><u>91,721,455</u></u>	<u><u>11,080</u></u>	<u><u>9,051</u></u>

#### 13.2. Movement on the impairment on loans

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
Opening balance	2,850,718	1,697,629	281	175
Charge for the year	7,841,708	2,499,226	748	254
Principal written off	(5,619,938)	(1,221,877)	(499)	(121)
Interest receivable written off	(826,849)	(124,260)	(79)	(12)
Translation difference	-	-	(74)	(15)
Closing balance	<u><u>4,245,639</u></u>	<u><u>2,850,718</u></u>	<u><u>377</u></u>	<u><u>281</u></u>

# Notes to the financial statements (continued)

## 14. Other assets

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Advance to third party	356,170	321,453	31	31
Others receivables	67,002	84,017	6	8
Inventory - Passbook	85,332	92,037	8	9
	<u>508,504</u>	<u>497,507</u>	<u>45</u>	<u>48</u>

## 15. Intangible assets

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Cost software development and purchase (ERP)				
At 1 January	467,940	467,940	46	48
Additions during the year	-	-	-	-
Translation difference	-	-	(5)	2
	<u>467,940</u>	<u>467,940</u>	<u>41</u>	<u>50</u>
Accumulated amortisation :				
At 1 January	399,699	282,714	39	29
Amortisation (25%) charge for the year	68,241	116,985	7	12
Translation difference	-	-	(5)	(2)
	<u>467,940</u>	<u>399,699</u>	<u>41</u>	<u>39</u>
Net book value	<u>-</u>	<u>68,241</u>	<u>-</u>	<u>11</u>



Notes to the financial statements (continued)

16. Property and equipment

<i>In thousands of Leones / USD</i>	Motor Vehicles	Furniture	Equipment	Total	Total
	SLL	SLL	SLL	SLL	USD
<b>Cost</b>					
At 1 January 2021	416,791	760,072	831,114	2,007,977	198
Additions	-	258,012	222,077	480,089	46
Translation difference	-	-	-	-	(23)
<b>At 31 December 2021</b>	<b>416,791</b>	<b>1,018,084</b>	<b>1,053,191</b>	<b>2,488,066</b>	<b>221</b>
<b>Cost</b>					
At 1 January 2020	416,791	615,322	583,031	1,615,144	166
Additions	-	144,750	248,083	392,833	39
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	(7)
<b>At 31 December 2020</b>	<b>416,791</b>	<b>760,072</b>	<b>831,114</b>	<b>2,007,977</b>	<b>198</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	279,305	399,081	512,715	1,191,101	117
Charge for the year	74,992	71,087	212,863	358,942	34
Translation difference	-	-	-	-	-14
<b>At 31 December 2021</b>	<b>354,297</b>	<b>470,168</b>	<b>725,578</b>	<b>1,550,043</b>	<b>137</b>
<b>Accumulated depreciation</b>					
At 1 January 2020	204,313	335,367	344,540	884,220	91
Charge for the year	74,992	63,714	168,175	306,881	31
Translation difference	-	-	-	-	(5)
<b>At 31 December 2020</b>	<b>279,305</b>	<b>399,081</b>	<b>512,715</b>	<b>1,191,101</b>	<b>117</b>
<b>Net book value:</b>					
At 31 December 2021	62,494	547,916	327,613	938,023	84
At 31 December 2020	137,486	360,991	318,399	816,876	81

## Notes to the financial statements (continued)

### 17. Right of use assets

Cost	SLL		USD	
	2021	2020	2021	2020
At 1 January	375,513	359,636	37	38
Additions	-	15,877	-	2
Translation difference		-	(4)	-3
	<u>375,513</u>	<u>375,513</u>	<u>33</u>	<u>37</u>
<b>Accumulated depreciation</b>				
At 1 January	342,285	179,816	33	20
Depreciation charge for the year	32,565	162,469	3	17
Translation difference	-	-	(3)	-4
	<u>374,850</u>	<u>342,285</u>	<u>33</u>	<u>33</u>
<b>Net book value</b>	<u>663</u>	<u>33,228</u>	<u>-</u>	<u>4</u>

### 18. Loan security fund

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Opening balance	16,129,637	14435598	1,592	1486
Received during the year	12,421,525	7962433	1,104	786
Paid off /adjusted during the year	(6,566,969)	(6,268,394)	(583)	(619)
Translation difference	-	-	(160)	(61)
	<u>21,984,193</u>	<u>16,129,637</u>	<u>1,953</u>	<u>1,592</u>

The loan security fund acts as cash collateral for the customers' loan obligations to BRAC Microfinance (SL) Limited. This is computed as 10% of the customers' approved loan. In the event of any default, the clients forfeit all or part of the loan security fund to the extent of the amount at risk.



Notes to the financial statements (continued)

19. Related party payables

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Payable to BRAC Bangladesh	234,051	5,822,379	21	575
Payable to BRAC International Holdings B.V	7,603,498	5,695,181	676	562
Payable to BRAC Liberia Microfinance Company Limited	-	125,507	-	12
Payable to BRAC Sierra Leone	86,075	171,480	7	17
	<u>7,923,624</u>	<u>11,814,547</u>	<u>704</u>	<u>1,166</u>

20. Borrowings

20.1. Borrowings from KIVA (at 0% interest)

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Opening balance	1,191,394	781,829	118	80
Received during the year	1,581,267	706,771	140	70
Paid during the year	(171,877)	(297,206)	(15)	(29)
Foreign exchange adjustment	-	-	(12)	(3)
	<u>2,600,784</u>	<u>1,191,394</u>	<u>231</u>	<u>118</u>

20.2. Borrowings from Whole Planet Foundation (Interest rate - 0%)

*In thousands of Leones*

	SLL		USD	
	2021	2020	2021	2020
Opening balance	3,738,214	1,787,000	369	184
Received during the year	2,049,022	1,951,214	200	200
Paid during the year	-	-	-	-
Foreign exchange adjustment	-	-	(55)	(16)
	<u>5,787,236</u>	<u>3,738,214</u>	<u>514</u>	<u>368</u>

Notes to the financial statements (continued)

203. Borrowings from Bank of Sierra Leone (Interest rate - 0%)

<i>In thousands of Leones</i>	SLL		USD	
	2021	2020	2021	2020
Opening Balance	-	-	-	-
Received during the year	22,305,976	-	1,982	-
Paid during the year	(9,294,156)	-	(826)	-
Foreign exchange adjustment	-	-	-	-
	<u>13,011,820</u>	<u>-</u>	<u>1,156</u>	<u>-</u>
<b>Total borrowings</b>	<u><b>21,399,840</b></u>	<u><b>4,929,608</b></u>	<u><b>1,901</b></u>	<u><b>486</b></u>

During the year the Company also received loan from Bank of Sierra Leone and also 2020 Whole Planet Foundation at 0% rate with repayment period of three years. The loans are meant for facilitating group-based lending of the organisation.

20.4. Loan Classification

<i>Loan Classification</i>	SLL		USD	
<i>In thousands of Leones</i>	2021	2020	2021	2020
<b>Loans repayable in one year:</b>				
Whole Planet Foundation	2,251,144	1,191,394	200	118
Bank of Sierra Leone	13,011,820	-	1,156	-
<b>Loan repayable in more than one year:</b>				
KIVA	2,600,784	-	231	-
Whole Planet Foundation	3,536,092	3,738,214	314	368
<b>Total borrowings</b>	<u><b>21,399,840</b></u>	<u><b>4,929,608</b></u>	<u><b>1,901</b></u>	<u><b>486</b></u>

21. Lease liability

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
Opening balance	119,191	101,364	12	10
Additions	-	15,877	-	2
Adjustment for payments up to 31 December	-	(16,000)	-	(2)
Interest on lease liability	123	17,950	-	2
Translation difference	-	-	(1)	-
	<u><b>119,314</b></u>	<u><b>119,191</b></u>	<u><b>11</b></u>	<u><b>12</b></u>



## Notes to the financial statements (continued)

### 22. Other liabilities

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Accrued expenses	117,776	494,288	10	49
Provision for audit fees	110,918	110,918	10	11
Salary provision	-	11,327	-	1
Self-insurance fund	100,863	96,012	9	9
Bonus provision	-	-	-	-
Severance allowance provision	2,688,783	2,357,846	239	233
Nassit provision	60,171	54,429	5	5
Withholdings tax	826,049	569,608	73	56
Payable to BRAC IT Services Limited	431,281	488,027	39	49
	<u>4,335,841</u>	<u>4,182,455</u>	<u>385</u>	<u>413</u>

### 23. Donor funds

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Donor funds investment in :				
Loan to group members	1,969,000	1,969,000	175	194
	<u>1,969,000</u>	<u>1,969,000</u>	<u>175</u>	<u>194</u>

The grants from the above donors were received for the enhancement of the Microfinance program. The grants had been provided on the basis of the Company fulfilling certain conditions, failing to comply with which, part or all of the money may have to be refunded to the donor.

#### 23.1. Donor funds investment in loans to group members

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Opening balance	1,969,000	1,969,000	194	203
Investment in loans to group members during the year	-	-	-	-
Transferred to Donated Equity	-	-	-	-
Translation difference	-	-	(19)	(9)
	<u>1,969,000</u>	<u>1,969,000</u>	<u>175</u>	<u>194</u>

Notes to the financial statements (continued)

24. Capital

24(a). Name and percentage of holdings

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
BRAC International Holdings B.V (100%)	12,244,890	12,244,890	3,061	3,061
	<u>12,244,890</u>	<u>12,244,890</u>	<u>3,061</u>	<u>3,061</u>

24(b). Share premium

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
BRAC International Holdings B.V				
Opening balance 1 January	28,382,108	8,058,000	3,656	1,000
Payment received during the year	-	-	-	-
Transferred from donated equity	-	20,324,107	-	2,656
	<u>28,382,108</u>	<u>28,382,107</u>	<u>3,656</u>	<u>3,656</u>

During 2019 and 2018, the board of BRAC International holdings B.V. approved additional investment as share premium for the Company's operation. The Board approved the transfer of the donated equity balance of Le 20.32 billion (USD 2.66 million) to share premium.

25. Retained earnings

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
Opening balance	23,631,119	15,542,570	2,505	1,682
Profit for the year	22,895,003	8,361,453	2,186	851
Unrealized exchange loss	(1,297,544)	(272,904)	(124)	(28)
	<u>45,228,578</u>	<u>23,631,119</u>	<u>4,567</u>	<u>2,505</u>

26. Donated equity

<i>In thousands of Leones / USD</i>	SLL		USD	
	2021	2020	2021	2020
Opening balance	-	20,324,107	-	2,656
Received during the year	-	-	-	-
Transferred to Share Premium	-	(20,324,107)	-	(2,656)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



## Notes to the financial statements (continued)

### 27. Other reserves

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Opening balance	-	-	(2,881)	(2,620)
Translation difference during the year	-	-	(776)	(261)
	<u>-</u>	<u>-</u>	<u>(3,657)</u>	<u>(2,881)</u>
	=====	=====	=====	=====

The translation reserve was set up to record the effect of translation difference on capital fund excluding donor funds. Therefore share capital, share premium and donated equity are now maintained based on historical cost and translation differences are recognised in the translation reserve.

### 28. Cash generated from operation

*In thousands of Leones / USD*

	SLL		USD	
	2021	2020	2021	2020
Profit for the year	21,597,459	8,088,549	2,062	823
Depreciation on property and equipment	358,942	306,881	34	31
Amortisation	68,241	116,985	7	12
Depreciation on right of use asset	32,565	162,469	3	17
Loan loss provision	7,841,708	2,499,226	748	254
Tax credit / (expense)	7,650,482	3,006,422	730	306
Cash flow before changes in working capital:	<u>37,549,397</u>	<u>14,180,532</u>	<u>3,584</u>	<u>1,443</u>
Income tax paid	(5,038,660)	(4,598,036)	(481)	(468)
Changes in working capital:				
Receivables and other current assets	(10,998)	132,448	3	16
Interest receivables	(1,435,638)	(456,263)	(137)	(46)
Current Liabilities	153,386	1,528,467	(28)	155
Related party payables	(3,890,923)	347,721	(462)	35
	<u>27,326,564</u>	<u>11,134,869</u>	<u>2,479</u>	<u>1,135</u>
	=====	=====	=====	=====

Exchange rate used for the period:

	2021	2020
Average rate: 1USD= SLL	11,255.72	10,133.36
Closing rate: 1USD= SLL	10,477.36	9,830.15

**Notes to the financial statements (continued)**

**27. Contingencies**

There were no contingent assets or liabilities at 31 December 2021 (2020: Nil).

**28. Capital commitments**

There were no capital commitments as at 31 December 2021 (2020: Nil).

**29. Post balance sheet events**

Events subsequent to the balance sheet date are reflected only to the extent they relate directly to the financial statements and their effect is material. There were none such events as at the date these financial statements were signed.