



Baker Tilly SL
Baker Tilly House
37 Siaka Stevens Street
Freetown, Sierra Leone

Date 21.03.2023

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of BRAC Microfinance (SL) Limited for the year ended 31 December 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Accounting and Finance Manual dated 1 January 2022 of BRAC International Holdings B.V and the requirements of the Companies Act of Sierra Leone.

We confirm that having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 27 September 2022 for the preparation of the financial statements in accordance with the Accounting and Finance Manual dated 1 January 2022 of BRAC International Holdings B.V and the requirements of the Companies Act of Sierra Leone.

- The financial statements give a true and fair view in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and have accounted for and disclosed all such matters in accordance with the Accounting and Finance Manual dated 1 January 2022 of BRAC International Holdings B.V and the requirements of the Companies Act of Sierra Leone.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Accounting and Finance Manual dated 1 January 2022 of BRAC International Holdings B.V and the requirements of the Companies Act of Sierra Leone.
- All events subsequent to the date of the financial statements and for which the Accounting and Finance Manual dated 1 January 2022 of BRAC International Holdings B.V and the requirements of the Companies Act of Sierra Leone requires adjustment or disclosure have been adjusted or disclosed.

BRAC Microfinance Sierra Leone (SL) Limited

No. 2 Samuel Banister Drive
Wilberforce, (opposite Easy Solar HQ)
towards Hill Cut Junction,
Freetown.

M: +232 88820506

+232 99507512

E : shimimana.ntuyabaliwa@brac.net

W: www.bracinternational.org

Registered in Sierra Leone
as BRAC Microfinance (SL) Limited
under Bank of Sierra Leone
Certificate No. BSL/BRAC/COM/2021



- We confirm the financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. No uncorrected misstatements were identified.
- We confirm that, having considered our expectations and intentions for the next twelve months, and the availability of working capital, BRAC Microfinance (SL) Limited is a going concern. We confirm that the disclosures in the accounting policies are an accurate reflection of the reasons for our consideration that the financial statements should be drawn up on a going concern basis.
- We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, including minutes of all management and shareholders meetings;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within BRAC Microfinance (SL) Limited from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects BRAC Microfinance (SL) Limited and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting BRAC Microfinance (SL) Limited financial statements communicated by employees, former employees, analysts, regulators or others.

BRAC Microfinance Sierra Leone (SL) Limited
No. 2 Samuel Banister Drive M: +232 88820506
Wilberforce, (opposite Easy Solar HQ) +232 99507512

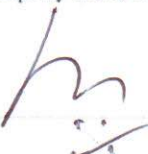

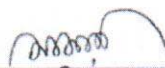
Registered in Sierra Leone
as BRAC Microfinance (SL) Limited

28/03/2023, 07:02



- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of BRAC Microfinance (SL) Limited's related parties and all the related party relationships and transactions of which we are aware.
- BRAC Microfinance (SL) Limited has satisfactory title to all assets, and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.
- There are no liabilities, contingent liabilities or guarantees to third parties other than those disclosed in the financial statements.

We confirm to the best of our knowledge and belief that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Director		20 March 2023
		Date
Chief Executive Officer (CEO)		20 March 2023
		Date
Acting Head of Finance		20 March 2023
		Date

For and on behalf of the Board of Directors of BRAC Microfinance (SL) Limited

BRAC Microfinance (SL) Limited

Financial Statements
for the year ended 31 December 2022

13 March 2023
This report contains 41 pages
Ref: L10/sl/bow

Contents	Page
General information	1
Report of the Directors	2-3
Independent Auditor's Report	4-6
Statement of financial position	7
Statement of comprehensive income	8-9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12- 41

General Information

Directors	:	Mr Shameran Abed	-	Chairperson
		Mr. Johannes Maria Antonius		
		Eskes	-	Director
		Mr. Syed Abdul Muntakim	-	Director (Resigned on 31 August 2022)
		Ms. Ruth Okowa	-	Director (Resigned on 31 October 2022)
		Mr. Rafiqul Islam	-	Chief Executive Officer (Resigned on 15 October 2022)
		Shimimana Neema Ntuyabaliwe	-	Chief Executive Officer (Appointed on 1 October 2022)
Registered Office	:	No. 2 Samuel Banister Drive		
		Wilberforce, towards Hill Cut Junction		
		Freetown		
		Sierra Leone		
Bankers	:	Standard Chartered Bank		
		Rokel Commercial Bank Sierra Leone Limited		
		Vista Bank Ltd		
		Sierra Leone Com. Bank Ltd.		
		Union Trust Bank Ltd.		
		Yoni Community Bank		
		Zenith Bank (SL) Ltd.		
		Segbwema Community Bank		
		Pendembu Community Bank Limited		
Auditor	:	Kamakwie Community Bank Limited		
		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 2022.

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 2022 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 24.31 million for the year ended 31 December 2022 (2021: profit of SLL 22.90 million).

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 17 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 2022.

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BRAC Microfinance (SL) Limited
Financial statements
for the year ended 31 December 2022

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
Mr. Johannes Maria Antonius Eskes	- Director
Mr. Syed Abdul Muntakim	- Director (Resigned on 31 August 2022)
Ms. Ruth Okowa	- Director (Resigned on 31 October 2022)
Mr. Rafiqul Islam	- Chief Executive Officer (Resigned on 15 October 2022)
Shimimana Neema Ntuyabaliwe	- Chief Executive Officer (Appointed on 1 October 2022)

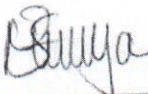
Auditors

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 2023.

Board Member
BRAC Microfinance (SL) Limited

20 March

Chief Executive Officer (CEO)
Shimimana Neema Ntuyabaliwe
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 2022, 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 12 to 41.

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 2022, 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

Baker Tilly
Chartered Accountants

Date: *20 March 2023*

BRAC Microfinance (SL) Limited
Financial statements
for the year ended 31 December 2022

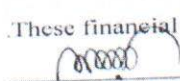
Statement of Financial Position

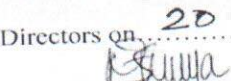
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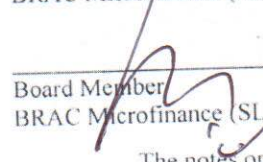
In (New) Leones/ USD

		SLL		USD	
	Notes	2022	2021	2022	2021
Asset					
Cash and cash equivalents	13	39,256,428	20,806,115	2,083,675	1,848,493
Loans and advances to customers	14	144,522,218	124,713,036	7,671,031	11,079,970
Other assets	15	1,363,502	508,505	72,373	45,177
Intangible assets	16	1,717,505	-	91,163	-
Property and equipment	17	1,497,503	938,023	79,485	83,337
Right of use asset	18	-	663	-	59
Deferred tax asset	12(c)	5,714,238	3,311,720	303,303	294,226
Total assets		194,071,394	150,278,062	10,301,030	13,351,262
Liabilities					
Loan security fund	19	26,176,829	21,984,193	1,389,428	1,953,157
Related party payables	20	13,938,034	7,923,624	739,811	703,964
Borrowings	21	34,664,711	21,399,840	1,839,953	1,901,241
Lease liability	22	-	119,314	-	10,600
Other liabilities	23	6,661,812	4,335,841	353,599	385,212
Donor funds	24	6,389,874	1,969,000	339,165	174,933
Current tax liability	12b	6,255,115	6,690,675	332,012	594,424
Total liabilities		94,086,375	64,422,487	4,993,968	5,723,531
Capital fund					
Share capital	25(a)	12,244,890	12,244,890	3,061,223	3,061,223
Share premium	25(b)	28,382,107	28,382,107	3,656,000	3,656,000
Retained earnings	26	59,358,022	45,228,578	5,551,178	4,566,545
Translation reserve	27	-	-	(6,961,339)	(3,656,037)
Total capital fund		99,985,019	85,855,575	5,307,062	7,627,731
Total liabilities and capital fund		194,071,394	150,278,062	10,301,030	13,351,262

These financial statements were approved by the Board of Directors on 20 March 2023


Acting Head of Finance
Md Mamun Sarder
BRAC Microfinance (SL) Limited


Chief Executive Officer (CEO)
Shimimana Neema Ntuyabaliwe
BRAC Microfinance (SL) Limited


Board Member
BRAC Microfinance (SL) Limited

The notes on pages 12 to 41 are an integral part of these financial statements

28/03/2023, 07:0

BRAC Microfinance (SL) Limited
Financial statements
for the year ended 31 December 2022

Statement of Comprehensive Income
for the year ended 31 December 2022

<i>In (New) Leones/ USD</i>		SLL		USD	
	Notes	2022	2021	2022	2021
Service charge on loans	5	76,372,895	61,180,798	5,322,165	5,839,335
Net income from service charge		76,372,895	61,180,798	5,322,165	5,839,335
Membership and other fees	6	3,863,896	3,304,897	269,262	315,432
Other income	7	19,889	7,319,529	1,386	698,604
Grant income	8	624,183	-	43,497	-
Total operating income		80,880,863	71,805,224	5,636,310	6,853,371
Net impairment loss on loans and advances to customers	9	(6,201,124)	(7,841,708)	(432,135)	(748,443)
Operating income after impairment charges		74,679,739	63,963,516	5,204,175	6,104,928
Staff costs	10	(23,589,717)	(17,564,492)	(1,643,887)	(1,676,424)
Other operating expenses	11	(18,880,242)	(15,393,668)	(1,315,699)	(1,469,232)
	16 &				
Depreciation & amortization	17	(727,284)	(427,183)	(50,682)	(40,772)
Depreciation on right of use asset	18	(663)	(32,565)	(46)	(3,108)
Interest on lease liability	22	(2,984)	(123)	(208)	(12)
Total operating expenditure		(43,200,890)	(33,418,031)	(3,010,522)	(3,189,548)
Profit before income tax		31,478,849	30,545,485	2,193,653	2,915,380
Income tax expense	12(a)	(7,172,466)	(7,650,482)	(499,825)	(730,192)
Net profit for the year		24,306,383	22,895,003	1,693,828	2,185,188

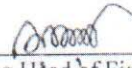
BRAC Microfinance (SL) Limited
Financial statements
for the year ended 31 December 2022

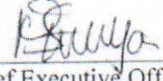
Statement of Comprehensive Income (continued)
for the year ended 31 December 2022

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
Other comprehensive income:				
Unrealized exchange loss	(10,176,902)	(1,297,544)	(709,193)	(123,843)
Total other comprehensive income	(10,176,902)	(1,297,544)	(709,193)	(123,843)
Total comprehensive profit for the year	14,129,481	21,597,459	984,635	2,061,345

These financial statements were approved by the Board of Directors on 20 March 2023


Acting Head of Finance
Md Mamun Sarker
BRAC Microfinance (SL) Limited


Chief Executive Officer (CEO)
Shimimana Neema Ntuyabaliwe
BRAC Microfinance (SL) Limited


Board Member
BRAC Microfinance (SL) Limited

The notes on pages 12 to 41 are an integral part of these financial statement

Statement of Changes in Equity
for the year ended 31 December 2022

<i>In (New) Leones/ USD</i>	Share capital SLL	Share premium SLL	Retained earnings SLL	Total SLL	Total USD	Translation reserve USD	Total capital fund USD
At 1 January 2022	12,244,890	28,382,107	45,228,578	85,855,575	11,283,768	(3,657,037)	7,626,731
Donations received during the year	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Profit for the year	-	-	24,306,383	24,306,383	1,693,828	-	1,693,828
Unrealized exchange (loss)	-	-	(10,176,902)	(10,176,902)	(709,193)	-	(709,193)
Changes due to currency redenomination	-	-	(37)	(37)	(2)	-	(2)
Translation adjustment	-	-	-	-	(3,304,302)	(3,304,302)	(3,304,302)
As at 31 December 2022	12,244,890	28,382,107	59,358,022	99,985,019	12,268,401	(6,961,339)	5,307,062
At 1 January 2021	12,244,890	28,382,107	23,631,119	64,258,116	9,222,423	(2,881,037)	6,341,386
Donations received during the year	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Profit for the year	-	-	22,895,003	22,895,003	2,185,188	-	2,185,188
Unrealized exchange (loss)	-	-	(1,297,544)	(1,297,544)	(123,843)	-	(123,843)
Translation adjustment	-	-	-	-	-	(776,000)	(776,000)
As at 31 December 2021	12,244,890	28,382,107	45,228,578	85,855,575	11,283,768	(3,657,037)	7,626,731

The notes on pages 12 to 41 are an integral part of these financial statements

Statement of Cash Flows
for the year ended 31 December 2022

In (New) Leones/ USD	Note	SLL		USD	
		2022	2021	2022	2021
Cash flow from operating activities	28	24,360,734	27,326,564	1,153,023	2,479,179
Loan disbursements		(338,656,681)	(280,314,790)	(23,599,823)	(26,754,000)
Loan collection		313,991,498	240,917,138	21,880,991	22,994,000
Net cash flow from operating activities		(304,449)	(12,071,088)	(565,809)	(1,280,821)
Cash flow from investing activities					
Acquisition of property and equipment	16&17	(3,004,268)	(480,089)	(62,050)	(46,000)
Acquisition of right of use assets	18	-	-	-	-
Net cash used in investing Activities		(3,004,268)	(480,089)	(62,050)	(46,000)
Cash flow from financing activities					
Changes in borrowing	22	13,264,871	16,470,232	(61,288)	1,415,000
Changes in lease liability		(119,314)	123	(10,600)	(1,000)
Changes in loan security fund		4,192,636	5,854,556	(563,729)	361,000
Changes in donor fund		4,420,874	-	164,232	(19,000)
Changes due to currency redenomination		(37)	-	(2)	-
Net cash from financing activities		21,759,030	22,324,911	(471,387)	1,756,000
Net (decrease)/increase in cash and cash equivalents		18,450,313	9,773,734	(1,099,246)	429,179
Cash and cash equivalents at 1 January		20,806,115	11,032,381	1,848,493	1,089,000
Translation adjustment		-	-	1,334,428	330,314
Cash and cash equivalents as at 31 December		39,256,428	20,806,115	2,083,675	1,848,493

The notes on pages 12 to 41 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 23rd 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 No.2 Samuel Banister Drive Wilberforce, towards HJll Cut Junction, Freetown, Sierra Leone.

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 are as follows:

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

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 18 and 22 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 2022

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

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Group loans (Microfinance)	39,792,086	31,887,239	2,772,974	3,043,443
Small Enterprises program	29,966,758	23,999,912	2,088,281	2,290,646
Without Collateral Loan	3,015,833	2,484,610	210,163	237,141
Job Holder Loan	3,400,498	2,760,579	236,969	263,480
Agrifinance	197,720	48,458	13,778	4,625
	<u>76,372,895</u>	<u>61,180,798</u>	<u>5,322,165</u>	<u>5,839,335</u>

6. Membership and other fees

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Loan appraisal fee	3,386,567	2,803,148	235,998	267,543
Membership fee	279,309	296,046	19,464	28,256
Loan application fee	76,195	67,298	5,310	6,423
Sales of passbook	121,825	138,405	8,490	13,210
	<u>3,863,896</u>	<u>3,304,897</u>	<u>269,262</u>	<u>315,432</u>

7. Other income

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Gain due to early repayment	7,067	6,612	492	631
Other income	12,822	7,312,917	894	697,973
	<u>19,889</u>	<u>7,319,529</u>	<u>1,386</u>	<u>698,604</u>

Notes to the financial statements (continued)

8. Grant income

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
Transferred to statement of income and expenses	620,573	-	43,246	-
Transferred from Deferred grant (depreciation)	3,610	-	251	-
	<u>624,183</u>	<u>-</u>	<u>43,497</u>	<u>-</u>

9. Impairment losses on loans

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
General provision	6,201,124	7,841,708	432,135	748,443
	<u>6,201,124</u>	<u>7,841,708</u>	<u>432,135</u>	<u>748,443</u>

10. Staff costs

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
Salaries and benefits	20,167,473	15,005,743	1,405,402	1,432,207
Bonus cost	1,404,067	918,363	97,845	87,652
Severance allowances cost	916,288	618,313	63,853	59,014
NASSIT Cost	479,875	421,532	33,441	40,233
Insurance costs	49,922	152,925	3,479	14,596
Medical expenses	572,092	447,616	39,867	42,722
	<u>23,589,717</u>	<u>17,564,492</u>	<u>1,643,887</u>	<u>1,676,424</u>

Notes to the financial statements (continued)

11. Other operating expenses

<i>In (New) Leones/ USD</i>		SLL		USD	
	2022		2021	2022	2021
Occupancy expenses (Note-11.1)	2,036,708		1,449,619	141,931	138,357
Staff training and development	418,117		279,069	29,137	26,635
Travel and transportation	6,729,927		3,354,426	468,986	320,160
Maintenance and general expenses	2,392,670		1,284,904	166,737	122,636
Printing and office stationery	1,528,728		825,612	106,532	78,800
Legal and professional fees	220,046		268,696	15,334	25,645
Audit fees	132,250		110,918	9,216	10,586
Financial expenses	89,151		-	6,213	-
Bank Charges	1,202,988		873,035	83,832	83,326
Internet expenses	745,345		551,900	51,941	52,676
Insurance claim	173,600		159,250	12,098	15,199
Software cost (ERP)	2,081,091		659,399	145,024	62,936
HO logistics and management expenses	1,129,621		5,576,840	78,718	532,276
	18,880,242		15,393,668	1,315,699	1,469,232

Notes to the financial statements (continued)

11.1. Occupancy expenses

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Rent	1,176,413	979,074	81,980	93,447
Utilities	860,295	470,545	59,951	44,910
	<u>2,036,708</u>	<u>1,449,619</u>	<u>141,931</u>	<u>138,357</u>

12. Taxation

12(a) Tax expense

Recognised in the income statement

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Income tax expense	9,574,984	9,628,041	667,248	918,938
Deferred tax credit	(2,402,518)	(1,977,559)	(167,423)	(188,746)
	<u>7,172,466</u>	<u>7,650,482</u>	<u>499,825</u>	<u>730,192</u>

12(b) Income tax account

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	(6,690,675)	(2,101,294)	(594,424)	(186,687)
Corporation tax charge	(9,574,984)	(9,628,041)	(667,248)	(918,938)
Payment during the year	10,010,544	5,038,660	697,601	480,909
Translation difference		-	232,059	30,292
Current tax liability	<u>(6,255,115)</u>	<u>(6,690,675)</u>	<u>(332,012)</u>	<u>(594,424)</u>

Notes to the financial statements (continued)

12. Taxation (continued)

12(b) Income tax account (continued)

Reconciliation of effective tax rate

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Profit before income tax	31,478,849	30,545,485	2,193,653	2,915,380
Income tax on profit before tax	7,869,713	7,636,371	548,413	728,845
Tax impact of permanent difference:				
Tax adjustment- employee benefit	(689,052)	16,887	(48,018)	1,612
Tax incentives	(8,195)	(2,776)	(570)	(265)
	<u>7,172,466</u>	<u>7,650,482</u>	<u>499,825</u>	<u>730,192</u>

12(c) Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

<i>In (New) Leones/ USD</i>	2022			2021		
	Asset	Liability	Net	Asset	Liability	Net
Property and equipment	-	(119,245)	(119,245)	-	(102,548)	(102,548)
Impairment allowance	(4,482,641)	-	(4,482,641)	(2,932,360)	-	(2,932,360)
Staff benefit provision	(835,540)	-	(835,540)	-	-	-
Unrealised exchange Loss	(276,812)	-	(276,812)	(276,812)	-	(276,812)
	<u>(5,594,993)</u>	<u>(119,245)</u>	<u>(5,714,238)</u>	<u>(3,209,172)</u>	<u>(102,548)</u>	<u>(3,311,720)</u>

Movement in temporary differences during the year – 2022

<i>In (New) Leones/ USD</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	(102,548)	(16,697)	-	(119,245)
Impairment allowance	(2,932,360)	(1,550,281)	-	(4,482,641)
Staff benefit provision	-	(835,540)	-	(835,540)
Unrealised exchange loss	(276,812)	-	-	(276,812)
	<u>(3,311,720)</u>	<u>(2,402,518)</u>	<u>-</u>	<u>(5,714,238)</u>

Notes to the financial statements (continued)

12. Taxation (continued)

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

Recognised deferred tax asset and liabilities

Movement in temporary differences during the year – 2021

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
<i>In (New) Leones/ USD</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>

13. Cash and cash equivalents

In (New) Leones/ USD

		SLL		USD	
		2022	2021	2022	2021
Cash at bank	13.1	38,003,182	20,075,370	2,017,154	1,783,571
Cash in hand		1,253,246	730,745	66,521	64,922
		<u>39,256,428</u>	<u>20,806,115</u>	<u>2,083,675</u>	<u>1,848,493</u>

Notes to the financial statements (continued)

13. Cash and cash equivalents (continued)

13.1. Cash at bank

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Vista Bank (formerly First International Bank (SI) Ltd)	15,064,639	17,422,333	799,609	1,547,865
Rokel Commercial Bank SI Ltd	244,029	341,243	12,953	30,317
Union Trust Bank LTD.	1,520,671	1,092,369	80,715	97,050
Yoni Community Bank	120,979	335,110	6,421	29,772
Zenith Bank (SL) Ltd	151,691	116,886	8,052	10,385
Standard Chartered Bank (SL) Ltd				
USD	20,499,065	185,433	1,088,061	16,475
Standard Chartered Bank (SL) Ltd	-	9,721	-	864
Marampa Masimera Community Bank	906	222,488	48	19,767
Segbwema Community Bank	130,013	144,099	6,901	12,802
Bank of Sierra Leone	75	141,819	4	12,600
Pendembu Community Bank Limited	36,566	43,023	1,941	3,822
Kamakwie Community Bank Limited	234,548	20,846	12,449	1,852
	38,003,182	20,075,370	2,017,154	1,783,571

14. Loans and advances to customers

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Group loans	64,477,240	56,255,014	3,422,359	4,997,905
Small enterprises program	72,630,190	62,030,513	3,855,106	5,511,021
Without collateral loan	6,479,079	6,241,089	343,900	554,482
Job Holder Loan	6,596,755	6,895,842	350,146	612,652
Agro finance	626,600	342,161	33,259	30,398
Loan written off (P)	(4,161,764)	(5,619,938)	(220,900)	(499,296)
Interest receivable	4,159,117	3,640,844	220,760	323,466
Interest receivable written off	(511,427)	(826,849)	(27,146)	(73,460)
Impairment loss on loans and advances	(5,773,572)	(4,245,640)	(306,453)	(377,198)
	144,522,218	124,713,036	7,671,031	11,079,970

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)

14. 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.

14.1. Movement on the loan account

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	126,144,681	92,366,967	11,207,162	9,115,137
Loans disbursed	338,656,681	280,314,790	23,599,823	26,754,340
Loans repayments(P)	(313,991,498)	(240,917,138)	(21,880,991)	(22,994,074)
Translation difference	-	-	(4,921,224)	(1,168,945)
	<u>150,809,864</u>	<u>131,764,619</u>	<u>8,004,770</u>	<u>11,706,458</u>
Principal -written off	(4,161,764)	(5,619,938)	(220,900)	(499,296)
	<u>146,648,100</u>	<u>126,144,681</u>	<u>7,783,870</u>	<u>11,207,162</u>
Gross loans to customers	146,648,100	126,144,681	7,783,870	11,207,162
Interest receivable	4,159,117	3,640,844	220,760	323,466
Interest receivable: written off	(511,427)	(826,849)	(27,146)	(73,460)
Impairment loss on loans advance	(5,773,572)	(4,245,640)	(306,453)	(377,198)
	<u><u>144,522,218</u></u>	<u><u>124,713,036</u></u>	<u><u>7,671,031</u></u>	<u><u>11,079,970</u></u>

14.2. Movement on the impairment on loans

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	4,245,640	2,850,719	377,198	281,330
Charge for the year	6,201,124	7,841,708	432,135	748,443
Principal written off	(4,161,764)	(5,619,938)	(220,900)	(499,296)
Interest receivable written off	(511,428)	(826,849)	(27,146)	(78,918)
Translation difference	-	-	(254,834)	(74,361)
	<u>5,773,572</u>	<u>4,245,640</u>	<u>306,453</u>	<u>377,198</u>

Notes to the financial statements (continued)

15. Other assets

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Advance to third party	1,016,687	356,171	53,964	31,644
Others receivables	134,580	67,002	7,143	5,953
Inventory - Passbook	212,235	85,332	11,266	7,580
	<u>1,363,502</u>	<u>508,505</u>	<u>72,373</u>	<u>45,177</u>

16. Intangible assets

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Cost software development and purchase (ERP)				
At 1 January	467,940	467,940	41,574	46,178
Additions during the year	2,113,852	-	112,200	-
Translation difference	-	-	(16,736)	(4,605)
	<u>2,581,792</u>	<u>467,940</u>	<u>137,038</u>	<u>41,573</u>
Accumulated amortisation :				
At 1 January	467,940	399,699	41,574	39,444
Amortisation (25%) charge for the year	396,347	68,241	27,620	6,513
Translation difference	-	-	(23,319)	(4,384)
	<u>864,287</u>	<u>467,940</u>	<u>45,875</u>	<u>41,573</u>
Net book value	<u>1,717,505</u>	<u>-</u>	<u>91,163</u>	<u>-</u>

Notes to the financial statements (continued)

17. Property and equipment

<i>In (New) Leones/ USD</i>	Motor Vehicles SLL	Furniture SLL	Equipment SLL	Total SLL	Total USD
Cost					
At 1 January 2022	416,791	1,018,084	1,053,191	2,488,066	221,000
Additions	-	234,885	655,531	890,416	62,050
Translation difference	-	-	-	-	(103,725)
At 31 December 2022	416,791	1,252,969	1,708,722	3,378,482	179,325
At 1 January 2021	416,791	760,072	831,114	2,007,977	198,000
Additions	-	258,012	222,077	480,089	46,000
Translation difference	-	-	-	-	(23,000)
At 31 December 2021	416,791	1,018,084	1,053,191	2,488,066	221,000
Accumulated depreciation					
At 1 January 2022	354,297	470,168	725,577	1,550,042	137,663
Charge for the year	62,483	82,148	186,306	330,937	23,062
Translation difference	-	-	-	-	(60,885)
At 31 December 2022	416,780	552,316	911,883	1,880,979	99,840
Accumulated depreciation					
At 1 January 2021	279,305	399,081	512,714	1,191,100	117,404
Charge for the year	74,992	71,087	212,863	358,942	34,259
Translation difference	-	-	-	-	(14,000)
At 31 December 2021	354,297	470,168	725,577	1,550,042	137,663
Net book value:					
At 31 December 2022	11	700,653	796,839	1,497,503	79,485
At 31 December 2021	62,494	547,916	327,613	938,023	83,337

Notes to the financial statements (continued)

18. Right of use assets

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Cost				
At 1 January	375,512	375,512	33,362	33,362
Additions	-	-	-	-
Translation difference	-	-	(13,430)	-
	<u>375,512</u>	<u>375,512</u>	<u>19,932</u>	<u>33,362</u>
Accumulated depreciation				
At 1 January	374,849	342,284	33,303	33,303
Depreciation charge for the year	663	32,565	-	3,000
Translation difference	-	-	(13,371)	(3,000)
	<u>375,512</u>	<u>374,849</u>	<u>19,932</u>	<u>33,303</u>
Net book value	<u>-</u>	<u>663</u>	<u>-</u>	<u>59</u>

19. Loan security fund

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	21,984,193	16,129,637	1,953,157	1,591,736
Received during the year	13,177,852	12,421,525	699,461	1,103,574
Paid off /adjusted during the year	(8,985,216)	(6,566,969)	(476,922)	(583,434)
Translation difference	-	-	(786,268)	(158,719)
	<u>26,176,829</u>	<u>21,984,193</u>	<u>1,389,428</u>	<u>1,953,157</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)

20. Related party payables

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Payable to BRAC Bangladesh	284,470	234,051	15,099	20,794
Payable to BRAC International Holdings B.V	13,411,405	7,603,498	711,858	675,523
Payable to BRAC Sierra Leone	242,159	86,075	12,854	7,647
	<u>13,938,034</u>	<u>7,923,624</u>	<u>739,811</u>	<u>703,964</u>

21. Borrowings

21.1. Borrowings from KIVA (at 0% interest)

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	2,600,785	1,191,394	231,063	117,571
Received during the year	2,939,523	1,371,761	227,113	130,238
Paid during the year	(2,013,890)	(171,877)	(125,402)	(16,746)
Foreign exchange adjustment	2,743,057	209,507	-	-
	<u>6,269,475</u>	<u>2,600,785</u>	<u>332,774</u>	<u>231,063</u>

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

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	5,787,236	3,738,214	514,160	368,902
Received during the year	-	2,049,022	-	200,000
Paid during the year	-	-	-	-
Foreign exchange adjustment	-	-	(206,982)	(54,742)
	<u>5,787,236</u>	<u>5,787,236</u>	<u>307,178</u>	<u>514,160</u>

Notes to the financial statements (continued)

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

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening Balance	13,011,819	-	1,156,018	-
Received during the year	-	22,305,976	-	1,981,746
Paid during the year	(13,011,819)	(9,294,157)	(690,649)	(825,727)
Foreign exchange adjustment	-	-	(465,369)	-
	<u>-</u>	<u>13,011,819</u>	<u>-</u>	<u>1,156,019</u>

21.4. Borrowings from BIFBV (Interest rate - 7.35% perform annum)

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening Balance	-	-	-	-
Received during the year	22,608,000	-	1,200,000	-
Paid during the year	-	-	-	-
Foreign exchange adjustment	-	-	-	-
	<u>22,608,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>
Total borrowings	34,664,711	21,399,840	1,839,953	1,901,242

During the year the Company also received loan from BRAC International Finance B.V to provide the Borrower with funds to (i) make loans in the Country; (ii) refinance maturing existing debt facilities; and (iii) pay overhead, capital expenses and similar costs directly incurred by the Borrower in conducting its Microfinance Program including, where applicable, in relation to transforming into deposit-taking entities 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.

21.4. Loan Classification

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Loans repayable in one year:				
Whole Planet Foundation	1,787,000	2,251,144	94,851	200,000
Bank of Sierra Leone	-	13,011,820	-	1,156,018
Loan repayable in more than one year:				
KIVA	6,269,475	2,600,784	332,775	231,063
Whole Planet Foundation	4,000,236	3,536,092	212,327	314,160
Borrowings from BIFBV	22,608,000	-	1,200,000	-
Total borrowings	34,664,711	21,399,840	1,839,953	1,901,241

Notes to the financial statements (continued)

22. Lease liability

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
Opening balance	119,191	119,191	12,000	12000
Additions	-	-	-	-
Adjustment for payments up to 31 December	-	-	-	-
	122,175	-	(6,485)	-
Interest on lease liability	2,984	123	208	-
Translation difference	-	-	(5,307)	(1000)
	-	119,314	-	11,000

23. Other liabilities

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
Accrued expenses	340,125	117,776	18,053	10,464
Provision for audit fees	132,250	110,918	7,020	9,854
Salary provision	-	-	-	-
Self-insurance fund	132,116	100,863	7,013	8,961
Bonus provision	-	-	-	-
Technical fees payable on loan from BIFBV	10,682	-	567	-
Interest payable on loan from BIFBV	78,469	-	4,165	-
Severance allowance provision	3,342,161	2,688,783	177,397	238,881
Nassit provision	63,721	60,171	3,382	5,346
Withholdings tax	1,468,606	826,049	77,951	73,389
Payable to BRAC IT Services Limited	1,093,682	431,281	58,051	38,317
	6,661,812	4,335,841	353,599	385,212

24. Donor funds

In (New) Leones/ USD

	SLL		USD	
	2022	2021	2022	2021
Donor funds received in advance (Note-23.1)	4,218,749	-	223,925	-
Donor funds investment in fixed assets (Note-23.2)	202,125	-	10,728	-
Donor funds investment in : Loan to group members (Note-23.3)	1,969,000	1,969,000	104,512	174,933
	6,389,874	1,969,000	339,165	174,933

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.

Notes to the financial statements (continued)

24.1. Donor funds received in advance

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	-	-	-	-
Donations received during the year (Note-24.1.1)	4,260,379	-	226,135	-
Transferred to statement of income and expenses	(624,183)	-	(43,497)	-
Transferred to deferred income - investment in fixed assets during the year (Note-24.2)	(205,735)	-	(10,920)	-
Foreign exchange gain	788,288	-	52,207	-
	<u>4,218,749</u>	<u>-</u>	<u>223,925</u>	<u>-</u>

24.1.1. Donations received during the year

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
MCF -AIM Microfinance	4,260,379	-	226,135	-
	<u>4,260,379</u>	<u>-</u>	<u>226,135</u>	<u>-</u>

24.2 Donor funds investment in fixed assets

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	-	-	-	-
Transferred from donor funds received in advance/ purchase of fixed assets	205,735	-	10,920	-
Depreciation charged during the year	(3,610)	-	(251)	-
Translation difference	-	-	59	-
	<u>202,125</u>	<u>-</u>	<u>10,728</u>	<u>-</u>

Notes to the financial statements (continued)

24.3 Donor funds investment in loans to group members

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	1,969,000	1,969,000	194,309	194,309
Investment in loans to group members	-	-	-	-
Transferred to donated equity	-	-	-	-
	<u>1,969,000</u>	<u>1,969,000</u>	<u>194,309</u>	<u>194,309</u>

25. Capital

25(a). Name and percentage of holdings

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
BRAC International Holdings B.V (100%)	12,244,890	12,244,890	3,061,223	3,061,223
	<u>12,244,890</u>	<u>12,244,890</u>	<u>3,061,223</u>	<u>3,061,223</u>

25(b). Share premium

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
BRAC International Holdings B.V				
Opening balance	28,382,107	28,382,107	3,656,000	3,656,000
Payment received during the year	-	-	-	-
Transferred from donated equity	-	-	-	-
	<u>28,382,107</u>	<u>28,382,107</u>	<u>3,656,000</u>	<u>3,656,000</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.

26. Retained earnings

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	45,228,578	23,631,119	4,566,545	2,505,200
Profit for the year	24,306,383	22,895,003	1,693,828	2,185,188
Unrealized exchange loss	(10,176,902)	(1,297,544)	(709,193)	(123,843)
Changes due to currency redenomination	(37)	-	(2)	-
	<u>59,358,022</u>	<u>45,228,578</u>	<u>5,551,178</u>	<u>4,566,545</u>

Notes to the financial statements (continued)

27. Other reserves

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Opening balance	-	-	(3,657,037)	(2,881,037)
Translation difference during the year	-	-	(3,304,302)	(776,000)
	<u>-</u>	<u>-</u>	<u>(6,961,339)</u>	<u>(3,657,037)</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

<i>In (New) Leones/ USD</i>	SLL		USD	
	2022	2021	2022	2021
Profit for the year	14,129,481	21,597,459	984,635	2,061,345
Depreciation on property and equipment	330,937	358,942	23,062	34,259
Amortisation	396,347	68,241	27,620	6,513
Depreciation on right of use asset	663	32,565	46	3,108
Loan loss provision	6,201,124	7,841,708	432,135	748,443
Tax expense	7,172,466	7,650,482	499,825	730,192
Cash flow before changes in working capital:	<u>28,231,018</u>	<u>37,549,397</u>	<u>1,967,323</u>	<u>3,583,860</u>
Income tax paid	(10,010,544)	(5,038,660)	(697,601)	(480,909)
Changes in working capital:				
Receivables and other current assets	(854,997)	(10,998)	(27,196)	3,000
Interest receivables	(1,345,124)	(1,435,638)	(93,737)	(136,772)
Current Liabilities	2,325,971	153,386	(31,613)	(28,000)
Related party payables	6,014,410	(3,890,923)	35,847	(462,000)
	<u>24,360,734</u>	<u>27,326,564</u>	<u>1,153,023</u>	<u>2,479,179</u>

Exchange rate used for the year:

	2022	2021
Average rate: 1USD= SLL	14.35	10.48
Closing rate: 1USD =SLL	18.84	11.26

Notes to the financial statements *(continued)*

27. Contingencies

There were no contingent assets or liabilities at 31 December 2022 (2021: Nil).

28. Capital commitments

There were no capital commitments as at 31 December 2022 (2021: 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.