

BRAC Microfinance (SL) Limited

Financial Statements
for the year ended 31 December 2023

18 March 2024
This report contains 42 pages.
Ref: L10/sl/bow

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General Information

Directors	:	Mr Shameran Abed	-	Chairperson (Resigned 9 February 2024)
		Mr. Johannes Maria Antonius Eskes	-	Chairperson (Appointed on 9 February 2024)
		Shimimana Ntuyabaliwe	-	Chief Executive Officer
		Ms. Rudo Kayombo	-	Director (Appointed on 24 July 2023)
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 Kamakwie Community Bank Limited United Bank for Africa		
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 2023.

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 2023 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 SLE 4.70 million for the year ended 31 December 2023 (2022: profit of SLL 24.31 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 2023.

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 (Resigned on 9 February 2024)
Mr. Johannes Maria Antonius Eskes	- Chairperson (Appointed on 9 February 2024)
Shimimana Ntuyabaliwe	- Chief Executive Officer
Ms. Rudo Kayombo	- Director (Appointed on 24 July 2023)

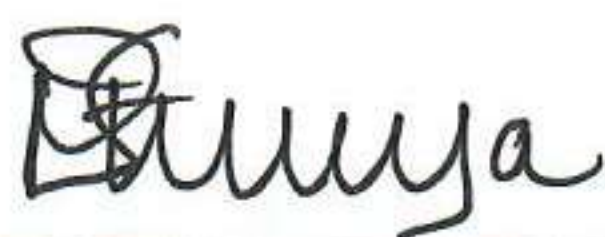
Auditors

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 *18, March* 2024.

Board Member
BRAC Microfinance (SL) Limited



Chief Executive Officer (CEO)
Shimimana 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 2023, 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 2023, 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: 18 MARCH 2024

Statement of Financial Position

as at 31 December 2023

In (New) Leones/ USD

		SLL		USD	
	Notes	2023	2022	2023	2022
Asset					
Cash and cash equivalents	13	24,736,266	39,256,428	1,084,924	2,083,675
Loans and advances to customers	15	223,447,787	144,522,218	9,800,342	7,671,031
Short term Deposit	14	18,192,000	-	797,895	-
Other assets	16	14,958,752	1,363,502	656,086	72,373
Current tax assets	12b	-	-	-	-
Intangible Assets	17	1,189,042	1,717,505	52,151	91,163
Property and equipment	18	5,290,521	1,497,503	232,040	79,485
Right of Use Asset	19	55,696	-	2,443	-
Deferred Tax Assets	12c	8,301,812	5,714,238	364,114	303,303
Total assets		296,171,876	194,071,394	12,989,995	10,301,030
Liabilities					
Loan security fund	20	38,315,561	26,176,829	1,680,507	1,389,428
Related party payables	21	13,873,577	13,938,034	608,490	739,811
Borrowing from Kiva, WPF & Vista Bank	22.a	47,874,069	12,056,711	2,099,740	639,953
Borrowing from BIFBV	22.b	63,840,000	22,608,000	2,800,000	1,200,000
Lease liability	23	-	-	-	-
Other liabilities	24	19,139,776	6,661,812	839,464	353,599
Donor funds	25	4,066,392	6,389,874	178,350	339,165
Current tax liability	12.b	481,763	6,255,115	21,130	332,012
Total liabilities		187,591,138	94,086,375	8,227,681	4,993,968
Capital fund					
Share capital	26(a)	12,244,890	12,244,890	3,061,223	3,061,223
Share premium	26(b)	31,953,720	28,382,107	3,813,063	3,656,000
Retained earnings	27	64,382,128	59,358,022	5,759,174	5,551,178
Translation reserve		-	-	(7,871,147)	(6,961,339)
Total capital fund		108,580,738	99,985,019	4,762,314	5,307,062
Total liabilities and capital fund		296,171,876	194,071,394	12,989,995	10,301,030

These financial statements were approved by the Board of Directors on... 18... March... 2024


Acting Head of Finance
Md Faridudzzaman
BRAC Microfinance (SL) Limited


Chief Executive Officer (CEO)
Shimimana 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

Statement of Comprehensive Income
for the year ended 31 December 2023

<i>In (New) Leones/ USD</i>		SLL		USD	
	Notes	2023	2022	2023	2022
Service charge on loans	5	99,784,381	76,372,895	4,632,515	5,322,165
Net income from service charge		99,784,381	76,372,895	4,632,515	5,322,165
Membership and other fees	6	5,656,170	3,863,896	262,589	269,262
Other income	7	107,424	19,889	4,987	1,386
Grant income	8	8,574,186	624,183	398,059	43,497
Total operating income		114,122,161	80,880,963	5,298,150	5,636,310
Net impairment loss on loans and advances to customers	9	(6,242,391)	(6,201,124)	(289,805)	(432,135)
Operating income after impairment charges		107,879,770	74,679,739	5,008,346	5,204,175
Staff costs	10	(43,501,656)	(23,589,717)	(2,019,576)	(1,643,887)
Other operating expenses	11	(56,746,644)	(18,880,242)	(2,634,477)	(1,315,699)
Depreciation & amortization	17 & 18	(1,424,017)	(727,284)	(66,110)	(50,682)
Depreciation on right of use asset	19	(9,785)	(663)	(454)	(46)
Interest on lease liability	23	-	(2,984)	-	(208)
Total operating expenditure		(101,682,102)	(43,200,890)	(5,467,962)	(3,010,522)
Profit before income tax		6,197,668	31,478,849	288,183	2,193,653
Income tax expense	12.a	(1,494,199)	(7,172,466)	(69,369)	(499,825)
Net profit for the year		4,703,469	24,306,383	218,360	1,693,828

Statement of Comprehensive Income (continued)

for the year ended 31 December 2023

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Other comprehensive income:				
Unrealized exchange loss	(7,711,917)	(10,176,902)	(358,028)	(709,193)
Fair Value of Hedging	8,032,593	-	372,915	-
Total other comprehensive income	320,676	(10,176,902)	14,887	(709,193)
Total comprehensive profit for the year	5,024,145	14,129,481	233,247	984,635

These financial statements were approved by the Board of Directors on 18, March 2024



Acting Head of Finance
Md Faridudzzaman
BRAC Microfinance (SL) Limited



Chief Executive Officer (CEO)
Shimimana 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 2023

In (New) Leones/ USD	Share Capital SLL	Share Premium	Retained Earnings SLL	Total SLL	Total USD	Translation reserve USD	Total capital fund USD
At 1 January 2023	12,244,890	28,382,107	59,358,022	99,985,019	12,268,401	(6,961,339)	5,307,062
Donations received during the year	-	-	-	-	-	-	-
Share premium	-	3,571,613	-	3,571,613	157,063	-	157,063
Profit for the year	-	-	4,703,470	4,703,470	218,814	-	218,814
Unrealized exchange (loss)	-	-	320,677	320,677	14,887	-	14,887
Changes due to currency redenomination	-	-	(40)	(40)	(2)	-	(2)
Translation adjustment	-	-	-	-	-	(935,513)	(935,513)
As at 31 December 2023	12,244,890	31,953,720	64,382,128	108,580,738	12,659,163	(7,896,711)	4,762,311
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)
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

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 2023

In (New) Leones/ USD	Note	SLL		USD	
		2023	2022	2023	2022
Cash flow from operating activities	28	(147,877)	24,360,734	137,798	1,153,023
Loan disbursements		(494,046,700)	(338,656,681)	(22,936,244)	(23,599,823)
Loan collection		412,184,286	313,991,498	19,135,761	21,880,991
Net cash flow from operating activities		(82,010,291)	(304,449)	(3,662,686)	(565,809)
Cash flow from investing activities					
Acquisition of property and equipment	17&18	(4,754,053)	(3,004,268)	(217,668)	(62,050)
Acquisition of right of use assets	19	-	-	-	-
Net cash used in investing Activities		(4,754,053)	(3,004,268)	(217,668)	(62,050)
Cash flow from financing activities					
Changes in borrowing		77,049,358	13,264,871	3,577,036	(61,288)
Changes in lease liability	23	-	-	-	-
Changes in loan security fund		12,138,732	(119,314)	563,544	(10,600)
Changes in donor fund		(2,323,481)	4,192,636	(101,908)	(563,729)
Increase in share premium		3,571,613	4,420,874	156,650	164,232
Changes in short term deposit (BRAC fund)		(18,192,000)	-	797,895	-
Changes due to currency redenomination		(40)	(37)	(2)	(2)
Net cash from financing activities		72,244,182	21,759,030	4,993,215	(471,387)
Net (decrease)/increase in cash and cash equivalents		(14,520,162)	18,450,313	1,112,861	(1,099,246)
Cash and cash equivalents at 1 January		24,736,266	20,806,115	2,083,675	1,848,493
Translation adjustment		-	-	(2,111,612)	1,334,428
Cash and cash equivalents as at 31 December		24,736,267	39,256,428	1,084,924	2,083,675

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 Hill 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 2023

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-24
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-24
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-24
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-24

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	
	2023	2022	2023	2022
Group loans (Microfinance)	54,357,014	39,792,086	2,523,538	2,772,974
Small Enterprises program	38,078,574	29,966,758	1,767,807	2,088,281
Without Collateral Loan	3,513,253	3,015,833	163,104	210,163
Job Holder Loan	3,429,930	3,400,498	159,235	236,969
Agrifinance	405,610	197,720	18,831	13,778
	<u>99,784,381</u>	<u>76,372,895</u>	<u>4,632,515</u>	<u>5,322,165</u>

6. Membership and other fees

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Loan appraisal fee	4,940,437	3,386,567	229,361	235,998
Membership fee	407,979	279,309	18,940	19,464
Loan application fee	103,455	76,195	4,803	5,310
Sales of passbook	204,299	121,825	9,485	8,490
	<u>5,656,170</u>	<u>3,863,896</u>	<u>262,589</u>	<u>269,262</u>

7. Other income

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Gain due to early repayment	11,313	7,067	525	492
Other income	96,111	12,822	4,463	894
	<u>107,424</u>	<u>19,889</u>	<u>4,988</u>	<u>1,386</u>

The exchange gains arise from translation of foreign currency transactions and revaluations of foreign currency denominated assets and liabilities to SLL. Financial assets and Liabilities denominated in foreign currencies are translated to SLL at rate ruling at balance sheet date.

Notes to the financial statements *(continued)*

8. Grant income

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Transferred to statement of income and expenses	8,425,698	620,573	391,165	43,246
Transferred from Deferred grant (depreciation)	148,488	3,610	6,894	251
	<u>8,574,186</u>	<u>624,183</u>	<u>398,059</u>	<u>43,497</u>
	=====	=====	=====	=====

9. Impairment losses on loans

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
General provision	6,242,391	6,201,124	289,805	432,135
	<u>6,242,391</u>	<u>6,201,124</u>	<u>289,805</u>	<u>432,135</u>
	=====	=====	=====	=====

Notes to the financial statements (continued)

10. Staff costs

In (New) Leones/ USD

		SLL		USD
	2023		2022	
			2023	2022
Salaries and benefits	34,827,756	20,167,473	1,616,888	1,405,402
Bonus cost	2,380,451	1,404,067	110,513	97,845
Severance allowances cost	3,551,181	916,288	164,864	63,853
NASSIT Cost	916,548	479,875	42,551	33,441
Insurance costs	99,791	49,922	4,633	3,479
Medical expenses	1,725,929	572,091	80,127	39,867
	<u>43,501,656</u>	<u>23,589,717</u>	<u>2,019,576</u>	<u>1,643,887</u>

11. Other operating expenses

In (New) Leones/ USD

		SLL		USD
	2023		2022	
			2023	2022
Occupancy expenses (Note-11.1)	3,067,446	2,036,708	142,407	141,931
Staff training and development	4,997,451	418,117	232,008	29,137
Travel and transportation	11,410,938	6,729,927	529,756	468,986
Maintenance and general expenses	4,658,887	2,392,670	216,290	166,737
Printing and office stationery	2,434,790	1,528,728	113,036	106,532
Legal & Professional fees	983,268	220,046	45,649	15,334
Audit fees	171,925	132,250	7,982	9,216
Financial Expenses	1,563,576	89,151	72,589	6,213
Hedging Charge	5,251,521	-	243,803	-
Interest Expense on loan from BIFBV	3,199,468	-	148,536	-
Technical Fees Expense on loan from BIFBV	429,603	-	19,944	-
Bank Charges	1,932,641	1,202,988	89,723	83,832
Withholding Tax Expenses	1,771,158	-	82,226	-
Withholding Tax & VAT				
Expense on HO logistics (SBI)	1,186,300	-	55,074	-
Internet expenses	971,701	745,345	45,111	51,941
Insurance claim	192,850	173,600	8,953	12,098
Software Maintenance cost (ERP)	2,636,860	2,081,091	122,417	145,024
HO logistics and management expenses	4,519,621	1,129,621	209,825	78,718
Cash and Bank write off	5,366,640	-	249,148	-
	<u>56,746,644</u>	<u>18,880,242</u>	<u>2,634,477</u>	<u>1,315,699</u>

Notes to the financial statements (continued)

11.1. Occupancy expenses

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Rent	2,009,119	1,176,413	93,274	81,980
Utilities	1,058,327	860,295	49,133	59,951
	<u>3,067,446</u>	<u>2,036,708</u>	<u>142,407</u>	<u>141,931</u>

12. Taxation

12(a) Tax expense

Recognised in the income statement

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Income tax expense	4,081,774	9,574,984	189,497	667,248
Tax incentives	-	-	-	-
Deferred tax credit	(2,587,575)	(2,402,518)	(120,129)	(167,423)
	<u>1,494,199</u>	<u>7,172,466</u>	<u>69,369</u>	<u>499,825</u>

12(b) Income tax account

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Opening balance	(6,255,115)	(6,690,675)	(332,013)	(594,425)
Corporation tax charge	9,855,125	10,010,544	457,526	697,601
Payment during the year	(4,081,774)	(9,574,984)	(189,497)	(667,248)
Translation difference	-	-	42,854	232,059
Current tax liability	<u>(481,763)</u>	<u>(6,255,115)</u>	<u>(21,130)</u>	<u>(332,013)</u>

Notes to the financial statements (continued)

12. Taxation (continued)

12(b) Income tax account (continued)

Reconciliation of effective tax rate

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Profit before income tax	6,197,669	31,478,849	288,183	2,193,653
Income tax on profit before tax	1,549,417	7,869,713	72,046	728,845
Tax impact of permanent difference:				
Tax adjustment- employee benefit	-	(689,052)	-	(48,018)
Tax incentives	(55,218)	(8,195)	(2,677)	(570)
	<u>1,494,199</u>	<u>7,172,466</u>	<u>69,369</u>	<u>499,825</u>

12(c) Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

	2023			2022		
<i>In (New) Leones/ USD</i>	Asset	Liability	Net	Asset	Liability	Net
Property and equipment	-	(258,427)	(258,427)	-	(119,245)	(119,245)
Impairment allowance	(6,043,238)	-	(6,043,238)	(4,482,641)	-	(4,482,641)
Staff benefit provision	(1,723,335)	-	(1,723,335)	(835,540)	-	(835,540)
Unrealised exchange Loss	(276,812)	-	(276,812)	(276,812)	-	(276,812)
	<u>(8,043,386)</u>	<u>(258,427)</u>	<u>(8,301,813)</u>	<u>(5,594,993)</u>	<u>(119,245)</u>	<u>(5,714,239)</u>

Movement in temporary differences during the year – 2023

<i>In (New) Leones/ USD</i>	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property and equipment	(119,245)	(139,182)	-	(258,427)
Impairment allowance	(4,482,641)	(1,560,598)	-	(6,043,239)
Tax loss carried forward	-	(887,795)	-	(887,795)
Staff benefit provision	(835,540)	-	-	(835,540)
Unrealised exchange loss	(276,812)	-	-	(276,811)
	<u>(5,714,238)</u>	<u>(2,587,575)</u>	<u>-</u>	<u>(8,301,812)</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 – 2022

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
<i>In (New) Leones/ USD</i>				
Property and equipment	(102,548)	(16,697)	-	(119,245)
Impairment allowance	(2,932,360)	(1,550,281)	-	(4,482,641)
Tax loss carried forward	-	-	-	-
Staff benefit provision	-	(835,540)	-	(835,540)
Unrealised exchange loss	(276,812)	-	-	(276,812)
Deferred tax asset not recognised	-	-	-	-
	<u>(3,311,720)</u>	<u>(2,402,518)</u>	<u>-</u>	<u>(5,714,238)</u>

13. Cash and cash equivalents

In (New) Leones/ USD

		SLL		USD	
		2023	2022	2023	2022
Cash at bank	13.1	22,234,273	38,003,182	975,187	2,017,154
Cash in hand		2,501,993	1,253,247	109,737	66,521
		<u>24,736,266</u>	<u>39,256,429</u>	<u>1,084,924</u>	<u>2,083,675</u>

Notes to the financial statements (continued)

15. Loans and advances to customers

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Group loans	122,612,757	64,477,240	5,377,752	3,422,359
Small Enterprises Program	88,165,286	72,630,190	3,866,898	3,855,106
Without Collateral Loan	9,372,662	6,479,079	411,082	343,900
Job Holder Loan	7,078,274	6,596,755	310,451	350,146
Agrofinance	1,281,540	626,600	56,208	33,259
Loan: Written off (P)	(3,999,875)	(4,161,764)	(175,433)	(220,900)
Interest receivable	6,953,231	4,159,117	304,967	220,760
Interest receivable: Written off	(561,883)	(511,427)	(24,644)	(27,146)
Impairment loss on loans advance	(7,454,205)	(5,773,572)	(326,939)	(306,453)
	<u>223,447,787</u>	<u>144,522,218</u>	<u>9,800,342</u>	<u>7,671,031</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.

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.

15.1. Movement on the loan account

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Opening balance	146,648,100	126,144,681	7,783,870	11,207,162
Loans disbursed	494,046,700	338,656,680	22,936,244	23,599,823
Loans repayments(P)	(412,184,286)	(313,991,497)	(19,135,761)	(21,880,991)
Translation difference	-	-	(1,561,962)	(4,921,224)
	<u>228,510,514</u>	<u>150,809,864</u>	<u>10,022,391</u>	<u>8,004,770</u>
Principal -written off	(3,999,875)	(4,161,764)	(175,433)	(220,900)
Gross loans to customers	224,510,639	146,648,100	9,846,958	7,783,870
Interest receivable	6,953,243	4,159,117	304,967	220,760
Interest receivable: written off	(561,889)	(511,427)	(24,644)	(27,146)
Impairment loss on loans advance	(7,454,205)	(5,773,572)	(326,939)	(306,453)
	<u>223,447,787</u>	<u>144,522,218</u>	<u>9,800,342</u>	<u>7,671,031</u>

Notes to the financial statements (continued)

13. Cash and cash equivalents (continued)

13.1. Cash at bank

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Vista Bank (SL) Ltd	17,568,790	15,064,639	770,561	799,609
Standard Chartered Bank (SL) Ltd	1,491,196	244,029	65,403	12,953
United Bank for Africa	48,541	1,520,671	2,129	80,715
Marampa Masimera Community Bank	906	120,979	40	6,421
Union Trust Bank LTD.	1,945,949	151,691	85,349	8,052
Rokel Commercial Bank SI Ltd	628,438	20,499,065	27,563	1,088,061
Zenith Bank (SL) Ltd	132,508	-	5,812	-
Yoni Community Bank	94,581	906	4,148	48
Segbwema Community Bank	38,102	130,013	1,671	6,901
Bank of Sierra Leone	75	75	3	4
Pendembu Community Bank Limited	8,104	36,566	355	1,941
Kamakwie Community Bank Limited	254,150	234,546	11,147	12,449
Sewafe Community Bank Limited	22,933	-	1,006	-
	<u>22,234,273</u>	<u>38,003,182</u>	<u>975,187</u>	<u>2,017,154</u>

14. Short term deposit

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Opening Balance	-	-	-	-
Add. Deposit during the year	18,192,000	-	797,895	-
Less. Withdrawn during the year	-	-	-	-
Translation difference	-	-	-	-
	<u>18,192,000</u>	<u>-</u>	<u>797,895</u>	<u>-</u>

Notes to the financial statements (continued)

15.2. Movement on the impairment on loans

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Opening balance	5,773,572	4,245,640	306,453	377,198
Charge for the year	6,242,391	6,201,124	289,805	432,135
Principal written off	(3,999,875)	(4,161,764)	(175,433)	(220,900)
Interest receivable written off	(561,883)	(511,427)	(26,086)	(27,146)
Translation difference	-	-	(67,800)	(254,834)
Closing balance	7,454,205	5,773,572	326,939	306,453

16. Other assets

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Advance to third party	1,223,718	1,016,687	53,672	53,964
Others receivables	5,472,207	134,580	240,009	7,143
Inventory - Passbook	230,234	212,235	10,098	11,266
Fair value of Derivatives (Receivable)	8,032,593	-	352,307	-
	14,958,752	1,363,502	656,086	72,373

17. Intangible assets

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Cost software development and purchase (ERP)				
At 1 January	2,581,792	467,940	137,038	41,574
Additions during the year	-	2,113,852	-	112,200
Translation difference	-	-	(23,801)	(16,736)
	2,581,792	2,581,792	113,237	137,038
Accumulated amortisation :				
At 1 January	864,287	467,940	45,875	41,574
Amortisation (25%) charge for the year	528,463	396,347	24,534	27,620
Translation difference	-	-	(9,323)	(23,319)
	1,392,750	864,287	61,086	45,875
Net book value	1,189,042	1,717,505	52,151	91,163

Notes to the financial statements (continued)

18. Property and equipment

<i>In (New) Leones/ USD</i>	Motor Vehicles SLL	Furniture SLL	Equipment SLL	Total SLL	Total USD
Cost					
At 1 January 2023	416,791	1,252,969	1,708,722	3,378,482	179,325
Additions	2,479,150	271,149	1,938,273	4,688,572	217,668
Translation difference	-	-	-	-	(43,175)
At 31 December 2023	2,895,941	1,524,118	3,646,995	8,067,054	353,818
At 1 January 2022	416,791	1,018,084	1,053,191	2,488,066	198,155
Additions	-	234,885	655,531	890,416	62,050
Translation difference	-	-	-	-	(80,880)
At 31 December 2022	416,791	1,252,969	1,708,722	3,378,482	179,325
Accumulated depreciation					
At 1 January 2023	416,780	552,316	911,882	1,880,979	99,840
Charge for the year	165,277	108,944	621,333	895,554	41,576
Translation difference	-	-	-	-	(19,638)
At 31 December 2023	582,057	661,260	1,533,215	2,776,533	121,778
Accumulated depreciation					
At 1 January 2022	354,297	470,168	725,577	1,550,042	137,712
Charge for the year	62,483	82,148	186,305	330,937	23,062
Translation difference	-	-	-	-	(60,934)
At 31 December 2022	416,780	552,316	911,882	1,880,979	99,840
Net book value:					
At 31 December 2023	2,313,884	862,858	2,113,780	5,290,521	232,040
At 31 December 2022	11	700,653	796,840	1,497,503	79,485

Notes to the financial statements (continued)

19. Right of use assets

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Cost				
At 1 January	375,512	375,512	19,932	33,362
Additions	65,481	-	-	-
Translation difference	-	-	(590)	(13,430)
	<u>440,993</u>	<u>375,512</u>	<u>19,342</u>	<u>19,932</u>
Accumulated depreciation				
At 1 January	375,512	374,849	19,932	33,303
Depreciation charge for the year	9,785	663	-	-
Translation difference	-	-	(3,033)	(13,371)
	<u>385,297</u>	<u>375,512</u>	<u>16,899</u>	<u>19,932</u>
Net book value	<u>55,696</u>	<u>-</u>	<u>2,443</u>	<u>-</u>

20. Loan security fund

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening balance	26,176,829	21,984,193	1,389,428	1,953,157
Received during the year	22,092,217	13,177,852	968,957	699,461
Paid off /adjusted during the year	(9,953,485)	(8,985,216)	(436,556)	(476,922)
Translation difference	-	-	(241,322)	(786,268)
	<u>38,315,561</u>	<u>26,176,829</u>	<u>1,680,507</u>	<u>1,389,428</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)

21. Related party payables

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Payable to BRAC Bangladesh	1,673,641	284,470	73,405	15,099
Brac International Holdings B.V	10,702,685	13,411,405	469,416	711,858
Payable to Stichting BRAC International	967,828	-	42,449	-
Payable to Other Entities	529,423	242,159	23,220	12,854
	<u>13,873,577</u>	<u>13,938,034</u>	<u>608,490</u>	<u>739,811</u>

22. a. Borrowings

22. Borrowings from KIVA (at 0% interest)

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening balance	6,269,474	2,600,785	332,774	231,063
Received during the year	1,199,657	2,939,523	51,707	227,113
Paid during the year	(1,181,193)	(2,013,890)	(55,084)	(125,402)
Foreign exchange adjustment	1,222,320	2,743,057	-	-
	<u>7,510,258</u>	<u>6,269,475</u>	<u>329,397</u>	<u>332,774</u>

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

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening balance	5,787,236	5,787,236	307,178	514,160
Received during the year	-	-	-	-
Paid during the year	(3,738,214)	-	(163,957)	-
Foreign exchange adjustment	-	-	(53,352)	(206,982)
	<u>2,049,022</u>	<u>5,787,236</u>	<u>89,869</u>	<u>307,178</u>

Notes to the financial statements (continued)

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

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening Balance	-	13,011,819	1,156,018	1,156,018
Received during the year	-	-	-	-
Paid during the year	-	(13,011,819)	-	(690,649)
Foreign exchange adjustment	-	-	(1,156,018)	(465,369)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

22. Borrowings from VISTA Bank (SL) Limited

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening Balance	-	-	-	-
Add. Received during the year	38,314,789	-	1,680,473	-
Paid during the year	-	-	-	-
FX adjustment	-	-	-	-
	<u>38,314,789</u>	<u>-</u>	<u>1,680,473</u>	<u>-</u>

During the year company managed to get an overdraft facility of 18.4 million leones for one year period which is hedged with a cash back of \$800,000. The interest rate is 18% for this arrangement. Along with that, Company managed to get another Overdraft of 23 million Leones with an interest rate of 23% of one year.

22.b. Borrowings from BIFBV (Interest rate - 7.35% & 7.6% perform annum)

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening Balance	22,608,000	-	1,200,000	-
Received during the year	41,232,000	22,608,000	1,600,000	1,200,000
Paid during the year	-	-	-	-
Foreign exchange adjustment	-	-	-	-
	<u>63,840,000</u>	<u>22,608,000</u>	<u>2,800,000</u>	<u>1,200,000</u>

During the year the Company also received loan from BRAC International Finance B.V of USD 1.6 Million for 4 years tenor 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.

Notes to the financial statements (continued)

22.6. Loan Classification

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Loans repayable in one year:				
Whole Planet Foundation	2,049,022	1,787,000	89,869	94,851
Bank of Sierra Leone	-	-	-	-
Loan repayable in more than one year:				
KIVA	7,510,258	6,269,475	329,397	332,775
Borrowings from BIFBV	63,840,000	22,608,000	2,800,000	1,200,000
Borrowings from VISTA Bank (SL) Limited	38,314,789	4,000,236	1,680,474	212,327
Total borrowings	111,714,069	34,664,711	4,899,740	1,839,953

23. Lease liability

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Opening balance	-	(119,191)	-	10,600
Additions	-	-	-	-
Adjustment for payments up to 31 December	-	122,175	-	-
Interest on lease liability	-	(2,984)	-	-
Translation difference	-	-	-	(10,600)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the financial statements (continued)

24. Other liabilities

In (New) Leones/ USD

		SLL		USD
	2023	2022	2023	2022
Accrual for expenses	4,091,304	340,125	179,443	18,053
Provision for audit fees	171,925	132,250	7,541	7,020
Salary provision	-	-	-	-
Provision for Impairment of Cash & Cash Equivalent	5,366,640	-	235,379	-
Self-insurance fund	192,864	132,116	8,458	7,013
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	6,445,134	3,342,161	282,681	177,397
Nassit Provision	132,078	63,721	5,793	3,382
Withholdings Tax	2,052,333	1,468,606	90,015	77,951
VAT/GST Output	130,550	-	5,726	-
Collateral Registry Fees Payable to Central Bank	91,110	-	3,996	-
Payable to BRAC IT Services Limited	465,838	1,093,682	20,432	58,051
	<u>19,139,776</u>	<u>6,661,812</u>	<u>839,464</u>	<u>353,599</u>

25. Donor funds

In (New) Leones/ USD

		SLL		USD
	2023	2022	2023	2022
Donor funds received in advance (Note-25.1)	231,881	4,218,749	10,170	223,925
Donor funds investment in fixed assets (Note-25.2)	1,865,511	202,125	81,820	10,728
Donor funds investment in : Loan to group members (Note-25.3)	1,969,000	1,969,000	86,360	104,512
	<u>4,066,392</u>	<u>6,389,874</u>	<u>178,350</u>	<u>339,165</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.

Notes to the financial statements (continued)

25.1. Donor funds received in advance

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening balance	4,218,748	-	185,033	-
Donations received during the year (Note-25.1.1)	5,548,561	4,260,379	243,358	226,135
Transferred to statement of income and expenses	(8,425,698)	(624,183)	(369,548)	(43,497)
Transferred to deferred income - investment in fixed assets during the year (Note-25.2)	(1,811,875)	(205,735)	(79,468)	(10,920)
Foreign exchange gain	702,145	788,288	30,796	52,207
	<u>231,881</u>	<u>4,218,748</u>	<u>10,170</u>	<u>223,925</u>

25.1.1. Donations received during the year

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
MCF -AIM Microfinance	5,548,561	4,260,379	243,358	226,135
	<u>5,548,561</u>	<u>4,260,379</u>	<u>243,358</u>	<u>226,135</u>

25.2 Donor funds investment in fixed assets

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Opening balance	202,125	-	8,865	-
Transferred from donor funds received in advance/ purchase of fixed assets	1,811,875	205,735	79,468	10,920
Depreciation charged during the year	(148,489)	(3,610)	(6,513)	(251)
Transferred to Donated Equity	-	-	-	59
	<u>1,865,511</u>	<u>202,125</u>	<u>81,820</u>	<u>10,728</u>

Notes to the financial statements (continued)

25.3 Donor funds investment in loans to group members

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
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>

26. Capital

26(a). Name and percentage of holdings

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
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>

26(b). Share premium

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
BRAC International Holdings B.V				
Opening balance	28,382,108	28,382,108	3,656,000	3,656,000
Payment received during the year	3,571,613	-	157,063	-
Transferred from donated equity	-	-	-	-
	<u>31,953,720</u>	<u>28,382,108</u>	<u>3,813,063</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 3.57 billion (USD 0.15 million) to share premium.

27. Retained earnings

In (New) Leones/ USD

	SLL		USD	
	2023	2022	2023	2022
Opening balance	59,358,022	45,228,578	5,551,178	4,566,545
Profit for the year	4,703,469	24,306,383	218,360	1,693,828
Changes due to currency redenomination	(40)	(37)	(2)	(2)
Unrealized exchange loss	320,676	(10,176,902)	(9,907)	(709,193)
	<u>64,382,128</u>	<u>59,358,022</u>	<u>5,759,629</u>	<u>5,551,178</u>

Notes to the financial statements *(continued)*

28. Cash generated from operation

<i>In (New) Leones/ USD</i>	SLL		USD	
	2023	2022	2023	2022
Profit for the year	5,024,146	14,129,481	233,701	984,635
Depreciation on property and equipment	895,554	330,937	66,110	23,062
Amortisation	528,463	396,347	24,534	27,620
Depreciation on right of use asset	9,785	663	-	46
Loan loss provision	6,242,391	6,201,124	289,805	432,135
Tax expense	(2,587,575)	7,172,466	-	499,825
Cash flow before changes in working capital:	10,112,764	28,231,018	614,150	1,967,323
Income tax paid	(5,773,352)	(10,010,544)	(268,029)	(697,601)
Changes in working capital:				
Receivables and other current assets	(13,595,251)	(854,997)	(631,163)	(27,196)
Interest receivables	(3,305,545)	(1,345,124)	(153,461)	(93,737)
Current Liabilities	12,477,964	2,325,971	579,293	(31,613)
Related party payables	(64,457)	6,014,410	(2,992)	35,847
	(147,877)	24,360,734	137,798	1,153,023

Exchange rate used for the year:

	2023	2022
Average rate: 1USD= SLL	22.80	18.84
Closing rate: 1UDS =SLL	21.54	14.35

Notes to the financial statements *(continued)*

29. Contingencies

There were no contingent assets or liabilities at 31 December 2023 (2022: Nil).

30. Capital commitments

There were no capital commitments as at 31 December 2023 (2022: Nil).

31. 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.