BRAC LIBERIA MICROFINANCE COMPANY LIMITED

Independent Auditor’s Report and Financial Statements for the year ended December 31, 2022

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Corporate Information

Board of Directors:	Mr. Shameran Abed	-	Chairperson
	Mr. Johannes Maria Antonius Eskes	-	Director
	Ms. Bridget Dougherty	-	Director

Chief Executive Officer: Mr. Dyson Ziviso Mandivenga

Registered Office:
Divine Town, Old Road,
Monrovia

Bankers:

Eco Bank Liberia Limited
11th Street, Sinkor, Monrovia, Liberia

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

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

Guaranty Trust Bank
13th Street, Sinkor, Monrovia

Access Bank Liberia Limited
20thStreet, Sinkor, Monrovia

United Bank of Africa
Broad & Nelson St., Monrovia

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

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

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

Report of the Board of Directors

The Board of Directors presents their report and audited financial statements for the year ended December 31, 2022

The Board of Directors' Responsibility Statement

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statement, comprising the statement of financial position as at December 31, 2022, the statement of profit and loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements. The notes to the financial statements include a summary of significant accounting policies and other explanatory notes, and the report of the Board of Directors in accordance with International Financial Reporting Standards (IFRS), the Disclosure Guidelines for Financial Reporting by Microfinance Institution which guidelines are voluntary norms recommended by a consultative group in international donors including the Consultative Group to Assist the Poor (CGAP) and the members of the Small Enterprise Education and Promotion Network (SEP), the Prudential Regulations for Micro-finance Institutions issued by the Central Bank of Liberia and in the manner required by the provisions of the Articles of Incorporation.

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

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

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

Principal Activities

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

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

Approval of the financial statements

The Board approved the financial statements on …………………..…………..... 2023.

Report of the Board of Directors *(continued)*

Going concern

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

The Board members
The following members served during the year:

Mr. Shameran Abed
Mr. Johannes Maria Antonius Eskes
Ms. Bridget Dougherty
Mr. Syed Abdul Muntakim (Resigned with effect from 30 September 2022)
Ms. Ruth Adhiambo Okowa (Resigned with effect from 31 October 2022)

Auditors

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

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

Mr. Dyson Ziviso Mandivenga
Chief Executive Officer
BRAC Liberia Microfinance Company Limited

Dyson Ziviso Mandivenga
Chief Executive Officer
BRAC Liberia Microfinance Company Ltd.

Board Member
BRAC Liberia Microfinance
Company Limited

Board Member
BRAC Liberia Microfinance
Company Limited

21st Street & Gibson Avenue
Fiamah, Sinkor
P.O. Box 10-0011
1000 Monrovia 10, Liberia

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To: The members of BRAC Liberia Microfinance Company Limited

Independent Auditor's Report

Opinion

We have audited the financial statements of BRAC Liberia Microfinance Company Limited ("BRAC" or "the Company"), which comprise the statement of financial position as December 31, 2022, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BRAC Liberia Microfinance Company Limited as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, ("IFRS") the Disclosure Guidelines for financial reporting by Microfinance Institutions, which guidelines are voluntary norms recommended by a consultative group of international donors including the Consultative Group to Assist the Poor(CGAP) and the member of the Small Enterprise Education and Promotion Network (SEP), the Prudential Regulations for Microfinance issued by the Central Bank of Liberia ("CBL"), and in the manner required by the Liberia Business Corporation Act of the Association of Laws of Liberia Revised (2020).

Basis for opinion

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

Key audit matter(s)

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

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

The Company has large volumes of transactions with related parties in the normal course of business. Related party balances and transactions are assessed as a key audit matter, as the large volume of transactions increases the potential risk of misstatements. Additionally, the Company entered into agreements with related parties that were quite complex and that involved material balances in the financial statements. Refer to Notes 18 and 22 to the financial statements for further information. Refer to Notes 18 and 22 to the financial statements for further information	methodology used in determining the probability of default. We tested the reasonableness of the estimation of loss given defaults, which includes an assessment of haircut adjustments. We re-performed the calculation of impairment allowance for loan and advances using the Company's impairment model and reviewed IFRS 9 disclosers for reasonableness The Company has large volumes of transactions with related parties in the normal course of business. Related party balances and transactions are assessed as a key audit matter, as the large volume of transactions increases the potential risk of misstatements. Additionally, the Company entered into agreements with related parties that were quite complex and that involved material balances in the financial statements. Refer to Notes 18 and 22 to the financial statements for further information. • Determined if the related party balances and transactions that existed or occurred, were accurate and complete. • Evaluated the business rationale of significant transactions including any non-routine transactions. • Obtained direct confirmations on the related party balances and/or performed alternate procedures; and • Determined that the disclosures in the financial statements relating to related parties were in accordance with IFRS.

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirement

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

I. We have obtained all the information and explanations we have required, and
II. Books of accounts have been maintained by BRAC Liberia Microfinance Company Limited

Baker Tilly Liberia
(Certified Public Accountants)
March 31, 2023
Monrovia

brac

Statement of financial position as at
As of December 31

Assets	Notes	2022 LRD	2021 LRD	2022 USD	2021 USD
Cash and bank	12	313,214,565	212,693,063	2,047,556	1,493,316
Short term investments	12.1	311,041,589	28,757,408	2,033,350	201,906
Loans and advances to customers	13	2,135,854,364	1,647,466,419	13,962,570	11,566,850
Other assets	14	16,873,663	12,089,600	110,307	84,881
Rights of use (ROU) assets	23(a)	3,683,242	6,133,885	24,078	43,066
Deferred tax assets	11	3,862,607	969,236	25,251	6,805
Intangible Asset	15	32,717,656	8,372,714	213,883	58,785
Property and equipment	16	28,803,239	34,575,645	188,293	242,755
Total Assets		**2,846,050,925**	**1,951,057,970**	**18,605,288**	**13,698,364**
Liabilities and capital fund					
Liabilities					
Loan security funds	17	494,303,617	384,287,142	3,231,376	2,698,077
Related party payable	18	99,144,354	66,318,029	648,129	465,618
Borrowings	19	599,103,162	320,115,581	3,853,405	2,154,015
Deferred tax Liabilities	11	-	1,830,795	-	12,854
Taxes payable	11	143,830,512	58,104,193	940,253	407,949
Donor Funds	21	42,927,722	-	280,628	-
Lease liabilities	23(b)	5,558,790	4,238,908	36,339	29,761
Other liabilities	20	74,781,609	63,112,384	488,865	443,113
Total Liabilities		**1,459,649,766**	**898,007,032**	**9,478,995**	**6,211,387**
Capital fund					
Share capital	22	339,339,071	339,339,071	4,076,145	4,076,145
Share premium		120,755,662	120,755,662	889,529	889,529
Retained earnings		926,306,426	592,956,205	5,688,144	3,441,901
Cumulative translation reserve		-	-	(1,527,525)	(920,598)
Total capital fund		**1,386,401,159**	**1,053,050,938**	**9,126,293**	**7,486,977**
Total liabilities and capital fund		**2,846,050,925**	**1,951,057,970**	**18,605,288**	**13,698,364**

The Board of Directors approved the financial statements on pages 9 - 13 on 2023

Onisi Gerald Lukosi
Head of Finance,
BRAC Liberia.

Dyson Zviso Mandivenga
Chief Executive Officer
BRAC Liberia Microfinance Company

Head of Finance
BRAC Liberia Microfinance Company Limited
31 March 2023

Chief Executive Officer
BRAC Liberia Microfinance Company Limited
31 March 2023

Board Member
BRAC Liberia Microfinance Company Limited

Board Member
BRAC Liberia Microfinance Company Limited

The notes on pages 14 to 37 are an integral part of these financial statements

Statement of profit and loss and other comprehensive income

For the year ended December 31

Income	**Notes**	**2022 LRD**	**2021 LRD**	**2022 USD**	**2021 USD**
Service charge on loans	5	1,083,751,281	828,270,802	7,116,327	5,022,080
Interest and other financial expenses	10.2	(18,985,270)	(10,287,060)	(124,665)	(62,373)
Net income from service charge		**1,064,766,011**	**817,983,742**	**6,991,662**	**4,959,707**
Membership fees and other charges	6	77,213,020	60,925,184	507,010	369,410
Grant Income	7	19,184,337	24,555,634	125,972	148,889
Other income	7	18,006,713	67,826,298	118,239	411,253
		114,404,070	**153,307,116**	**751,221**	**929,552**
Total operating income		**1,179,170,081**	**971,290,858**	**7,742,883**	**5,889,258**
Expenditures:					
Impairment losses on loan and advances to customers	8	(26,636,437)	(38,897,892)	(174,905)	(235,850)
Operating income after impairment charges		**1,152,533,644**	**932,392,966**	**7,567,978**	**5,653,408**
Staff costs	9	(388,301,531)	(337,130,703)	(2,549,737)	(2,024,323)
Other operating expenses	10	(294,174,478)	(274,738,377)	(1,931,663)	(1,645,564)
Depreciation & Amortization	16 & 23 (c)	(24,496,049)	(14,803,802)	(160,850)	(97,384)
Total operating expenses		**(706,972,058)**	**(626,672,882)**	**(4,642,250)**	**(3,807,349)**
Profit before tax		**445,561,586**	**305,720,084**	**2,925,728**	**1,846,059**
Income tax expense	11	(103,479,446)	(73,769,802)	(679,486)	(450,036)
Net Profit for the year		**342,082,140**	**231,950,282**	**2,246,242**	**1,396,023**
Other comprehensive income					
Unrealized exchange gains/ (loss)		(12,243,923)	29,112,965	(80,398)	204,402
Total comprehensive income		**329,838,217**	**261,063,247**	**2,165,844**	**1,600,425**

The notes on pages 14 to 37 are an integral part of these financial statements

Statement of changes in equity

For the year ended December 31, 2022

	Share Capital	Share premium	Retained Earnings	Translation reserve	Total Capital Fund	Total Capital Fund
	LRD	LRD	LRD	LRD	LRD	USD
At January 1, 2021	339,339,071	120,755,662	363,765,987	(35,143,203)	788,717,517	4,898,258
Profit for the year			231,950,282		231,950,282	1,628,541
Adjustment to translation reserve			-	61,496,104	61,496,104	70,049
Transferred to Share Premium	-	-	-	-	-	-
Translation difference	-	-	-	(29,112,965)	(29,112,965)	1,112,280
As of 31 December 2021,	**339,339,071**	**120,755,662**	**595,716,269**	**(2,760,064)**	**1,053,050,938**	7,486,978
At 1 January 2022	339,339,071	120,755,662	595,716.269	(2,760,064)	1,053,050,938	7,486,978
Profit/ (Loss) for the year	-		342,082,140	-	342,082,140	2,246,242
Adjustment to translation reserve	-		-	3,512,004	3,512,004	22,959
Transferred to Share premium	-		-	-	-	-
Translation difference				(12,243,923)	(12,243,923)	(629,886)
As of 31 December 2022	**339,339,071**	**120,755,662**	**937,798,409**	**(11,491,983)**	1,386,401,159	**9,126,293**

The notes on pages 14 to 37 are an integral part of these financial statement

Statement of cash flows

For the year ended December 31, 2022

	2022 LRD	2021 LRD	2022 USD	2021 USD
Cash flow from operating activities				
Total Comprehensive Income	329,838,217	261,063,248	2,165,844	1,600,425
Depreciation	24,496,049	14,803,802	160,851	97,383
Loan loss provision	26,636,437	38,897,892	174,905	235,851
Cash flow before changes in working capital	**380,970,703**	**314,764,942**	**2,501,600**	**1,933,659**
Increase/(decrease) in provision for taxation	108,203,612	74,222,600	710,506	450,036
Changes in working capital				
Decrease/(increase) in receivables and other current assets	(4,784,064)	(2,313,339)	(31,414)	(14,026)
Decrease/ (Increase) in Short term investments	(282,284,181)	(28,757,408)	(1,853,586)	(174,360)
Decrease/(increase) in deferred tax asset	(2,893,371)	4,159,785	(18,999)	25,223
Decrease/(increase) in interest receivables	(7,629,975)	(6,519,284)	(50,101)	(39,529)
Increase/(decrease) in current liabilities	11,669,226	23,078,038	76,625	139,930
Increase/(decrease) in related party payables	32,826,325	(28,476,668)	215,550	(172,663)
Advance taxes paid	(22,477,293)	(17,103,527)	(147,595)	(103,704)
Net cash from operations	**213,600,983**	**333,055,139**	**1,402,586**	**2,044,559**
Loan disbursements	(6,023,642,008)	(4,620,597,602)	(39,553,543)	(28,016,215)
Loan collection	5,519,503,829	4,201,644,749	36,243,178	25,475,964
Loan loss reserve movement	(25,501,957)	-	(180,538)	
Interest receivable written off	(3,256,228)	(1,981,561)	(21,382)	(12,015)
Net cash flow from Operating Activities	**(319,295,382)**	**(87,879,275)**	**(2,109,698)**	**(507,706)**

The notes on pages 14 to 37 are an integral part of these financial statements

Statement of cash flows

For the year ended December 31, 2022

	2022 LRD	2021 LRD	2022 USD	2021 USD
Cash flow from Investing Activities				
(Acquisition)/disposal of fixed assets	(25,531,339)	(19,420,256)	(167,649)	(117,751)
(Acquisition)/disposal of intangible assets	(28,473,167)	(7,733,790)	(186,966)	(46,893)
(Acquisition)/disposal of Leased assets	-	(3,499,511)	-	(24,570)
Net cash flow from Investing Activities	**(54,004,506)**	**(30,653,557)**	**(354,615)**	**(189,214)**
Cash flow from Financing Activates				
Term loans increase/(decrease)	278,987,581	34,034,279	1,831,939	206,361
Loan security fund increase/(decrease)	110,016,475	82,800,228	722,411	502,045
Lease liabilities increase/ (decrease)	1,319,882	(89,882)	8,667	(545)
Loan security fund written off	-	-	-	-
Donor fund increase/(decrease)	62,108,865	1,863,534	406,020	13,084
Net cash flow from financing activities	**452,432,803**	**118,608,159**	**2,969,037**	**720,945**
Net (decrease)/increase in cash and cash equivalents	79,132,915	75,327	504,724	7,604
Cash and cash equivalents at beginning of the year	212,693,064	215,185,016	1,493,317	1,336,387
Convenience translation reserve	21,388,586	(2,567,279)	(139,822)	149,325
Adjustment from loan tracking	-	-	189,336	-
Cash and cash equivalents at end of the year	**313,214,565**	**212,693,064**	**2,047,555**	**1,493,316**

The notes on pages 14 to 37 are an integral part of these financial statements

Notes to the financial statement

1. Reporting company

BRAC Liberia Microfinance Company Limited was established in February of 2009. It is a microfinance institution incorporated and domiciled in Liberia. Its main objective is to contribute to the economic rebuilding of Liberia by providing financial services to low-income entrepreneurs, mostly women while serving as a means to improve the agriculture sector through micro businesses. The Company began operations with five (5) branches in Monrovia - Sinkor, Paynesville, Barnesville, Caldwell, and New Kru Town - in April 2009. Currently, it has thirty-five (35) branches in eight (9) counties of Liberia out of 15 counties.

2. Basis of preparation

(a) Basis of presentation of the financial statement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Disclosure Guidelines for Financial Reporting by Microfinance Institutions which guidelines are voluntary norms recommended by a consultative group in international donors including the Consultative Group to Assist the Poor (CGAP) and the member of the Small Enterprise Education and Promotion Network (SEP), the Prudential Regulations for Microfinance issued by the Central Bank of Liberia ("CBL"), and in the manner required by the Liberia Business Corporation Act of the Association of Laws of Liberia Revised (2002).

(b) Basis of measurement

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

(c) Functional and reporting currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (United States dollars). Major activities are measured in Liberian dollars and translated to United States dollars. The exchange rates used in the financial statements are as follows: 2022 (**1USD: 152.97 LRD – closing & 152.29 LRD - Average**) and 2021 (**1USD: 142.43 LRD – closing & 164.93 LRD - Average**)

(d) Use of estimates and judgments

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

Notes to the financial statements (continued)

Basis of preparation (continued)

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

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

Notes 16 Depreciation

Notes 20 Provisions and other liabilities

3. Significant accounting policies

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

(a) Foreign currency transactions

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

(b) Revenue recognition

Service charge on loan

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

IFRS 15 Revenue from Contracts with Customers

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

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

(c) Provisions and other liabilities

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

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

(d) Loan administration fees

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

(e) Fixed assets (operating assets)

Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Subsequent costs

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

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

Depreciation

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

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

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

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

Disposals

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

(f) Intangible (operating assets)

Accounting software

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

The expected useful life of this Software is four years.

Notes to the financial statements (continued)

Significant accounting policies (continued)

(g) IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

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

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

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

(ii) Impairment of financial assets

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

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

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

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

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

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

(h) IFRS 16 – Leases

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

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

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

(i) Other Liabilities

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

(j) Employee benefits

Pension obligations

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

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

End of service benefit

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

Medical benefit

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

(k) *Inventory*

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

(l) Finance income and expenses

Finance income comprises interest received on deposits.

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

(m) Administrative expenses

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

(n) Borrowings

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

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

(o) Changes in significant accounting policies

Adoption of new and revised standards

(i) New and amended standards and interpretations effective from 2022

Amendments and interpretations listed below apply for the first time in 2022, 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.

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

Notes to the financial statements (continued)

Significant accounting policies (continued)

(o) Changes in significant accounting policies (continued)

(i) New and amended standards and interpretations effective from 2022 (Continued)

IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	01-Jan-22

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022

IAS 1 *Classification of liabilities as current or non-current* - 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, *Disclosure of Accounting Policies* - 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 *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* - 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 Income taxes - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction:* Amendments aim at clarifying how companies account for deferred tax on leases; when a lessee recognizes an asset and a liability at the lease commencement.	01-Jan-23

Notes to the financial statements (continued)

4. Financial risk factors

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

(a) Credit risk

The Company takes on exposures to credit risk which is the risk that clients will be unable to pay amounts in full when due. Credit risk is managed by obtaining collateral in the form of mortgage, personal guarantees, shareholder guarantees, lien on inventories and/or receivables, and assignment of contracts and/or insurance. Impairment provisions are provided for expected losses during the duration of the loans. The portfolio at Risk (PAR) as indicator of credit risk as at reporting date is as tabulated below: -

Credit risk analysis:

	2022	**2021**
Portfolio at risk (PAR) 30 days		
Total loans in arrear over 30 days	32,449,260	24,744,637
Total loans outstanding	2,130,370,400	1,650,673,304
Portfolio at risk	1.52%	1.50%

The PAR 30 figure denotes the amount of loans outstanding greater than 30 days and may not be fully recoverable. Provisions have been taken against these loans in the financial statements based on Company policy. The Management of BRAC Liberia Microfinance Company is constantly reviewing the PAR>30 numbers and trying to reduce it. The management has maintained the ratio within 1.52% through strong field supervision and regular monitoring on client's performance.

(b)Liquidity risk

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

(c) Currency risk

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

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

Notes to the financial statements (continued)

	2022 LRD	2021 LRD	2022 USD	2021 USD
5. Service charge on loans				
Group Loans (Microfinance)	911,656,699	674,789,008	5,986,287	4,091,469
Small Enterprise Program	156,424,064	139,480,420	1,027,141	845,716
Job Holders' Loan	15,670,518	14,001,374	102,899	84,895
Total	**1,083,751,281**	**828,270,802**	**7,116,327**	**5,022,080**

	2022 LRD	2021 LRD	2022 USD	2021 USD
6. Membership fees and other charges				
Membership fees	15,621,400	13,606,800	102,576	82,503
Loan appraisal fees	60,236,420	46,205,784	395,535	280,161
Loan application fees	1,355,200	1,112,600	8,899	6,746
Total	**77,213,020**	**60,925,184**	**507,010**	**369,410**
7. Other income				
Other Income	14,533,898	67,532,529	95,435	409,472
Grant income	19,184,337	24,555,634	125,972	148,889
Interest Income from Other Investments	3,451,003	271,408	22,661	1,646
Gain due to early repayment	21,812	22,361	143	136
Total	**37,191,050**	**92,381,932**	**244,211**	**560,143**

	2022 LRD	2021 LRD	2022 USD	2021 USD
8. Impairment losses on loans and advances				
General provision				
- ECL Stage 1	218,999	6,741,191	1,437	40,874
- ECL Stage 2	1,952,289	1,152,323	12,820	6,987
- ECL Stage 3	24,465,149	31,004,378	160,648	187,990
Specific Provision	-	-	-	-
Total	**26,636,437**	**38,897,892**	**174,905**	**235,851**

	2022 LRD	2021 LRD	2022 USD	2021 USD
9. Staff costs				
Salary & benefits	331,304,337	280,929,138	2,175,471	1,683,536
Bonus	20,056,361	16,434,928	131,698	99,651
NASSCORP	27,764,732	27,196,939	182,314	164,904
Staff medical and insurance	9,176,101	12,572,698	60,254	76,232
Total	**388,301,531**	**337,130,703**	**2,549,737**	**2,024,323**

Notes to the financial statements (continued)

10. Other operating expenses

Occupancy expenses (Note - 10.1)	31,419,307	30,898,327	206,311	187,347
Staff training and development	10,656,736	2,769,107	69,976	16,790
Travel and transportation	103,227,033	77,857,777	677,828	472,078
Board and regional meetings	-	-	-	-
Maintenance & general expenses	19,779,722	17,448,301	129,930	105,795
Regulatory and Related Expenses	742,336	-	4,875	-
ERP maintenance cost	30,376,424	11,442,419	199,463	69,379
Printing and office stationeries	16,412,002	19,039,001	107,768	115,440
Legal & other professional fees	12,526,395	17,996,157	82,253	109,117
Audit fees	1,612,280	1,543,003	10,587	9,356
Insurance claim	1,390,000	1,700,000	9,128	10,308
Internet expenses	15,570,949	11,740,407	102,245	71,186
Bank charge	6,754,172	5,261,336	44,351	31,900
Fuel & Vehicle expenses	6,971,006	3,483,146	45,774	21,119
Head office Logistic and Management expenses to BIHBV	33,684,147	73,559,396	221,183	446,015
Head office Logistic and Management expenses	3,044,469	-	19,991	-
Total	**294,174,478**	**274,738,377**	**1,931,663**	**1,665,830**

	2022 LRD	2021 LRD	2022 USD	2021 USD
10.1 Occupancy cost				
Rent	18,608,593	13,335,566	122,191	80,858
Utilities	12,810,714	17,562,761	84,120	106,489
Total	**31,419,307**	**30,898,327**	**206,311**	**187,347**
10.2 Interest expenses on borrowings				
Interest on Bank Loan	6,644,800	10,130,560	43,632	61,425
Interest Expenses on BIFBV loans	9,834,288	-	64,576	-
Fund management fee	2,131,117	156,500	13,994	949
Sub total	**18,610,205**	**10,287,060**	**122,202**	**62,374**
Interest on lease liability [Note 23 (c)]	375,065	-	2,463	-
Total	**18,985,270**	**10,287,060**	**124,665**	**62,374**

Notes to the financial statements (continued)

11. Taxation

a) Income tax expenses

Corp tax- charge for the period	108,203,612	74,222,600	710,506	450,036
Deferred tax expense adjustment	-	-	-	3,179
Deferred tax income	(4,724,166)	(452,798)	(31,020)	(3,179)
Tax (Credit)/ expense	**103,479,446**	**73,769,802**	**679,486**	**446,857**

b) Deferred tax assets/ (liability)

Deferred tax asset	3,862,607	969,236	25,251	6,805
Deferred tax Liabilities	-	(1,830,795)	-	(12,854)
Deferred tax asset /(liability)	**3,862,607**	**(861,559)**	**25,251**	**(6,049)**

c) Advance Tax/ (Tax Payable)

Balance B / F	(58,104,193)	(985,120)	(407,949)	(6,917)
Adjustment for opening balance	-	-	-	-
Tax payable for the period	(108,203,612)	(74,222,600)	(710,506)	(450,036)
Adv tax paid during the year	22,477,293	17,103,527	147,595	103,704
Translation difference	-	-	30,608	(54,701)
Advance Tax/ (Tax Payable)	**(143,830,512)**	**(58,104,193)**	**(940,253)**	**(407,949)**

12. Cash and bank

Cash in hand	9,601,727	11,097,885	62,769	77,918
Cash at banks:				
Access Bank	102,723,581	50,069,615	671,528	351,538
Afriland First Bank Ltd	7,030,428	11,286,844	45,960	79,245
Community Bank (Ganta, Voinjama)	29,250,121	17,463,962	191,214	122,614
ECO Bank	27,970,161	31,895,709	182,847	223,940
Guaranty Trust Bank	15,392,294	6,110,523	100,623	42,902
International Bank	2,536,697	1,972,794	16,583	13,851
Liberia Bank for Development & Investment	9,350,578	7,142,513	61,127	50,148
GN Bank	834,429	12,208,549	5,455	85,716
UBA Bank	107,504,979	61,762,265	702,785	433,632
Lonestar Mobile Money	1,019,570	1,682,404	6,665	11,812
	303,612,838	201,595,178	1,984,787	1,415,398
Total	**313,214,565**	**212,693,063**	**2,047,556**	**1,493,316**

12.10 Short term investment with the Bank

Term deposit with UBA	307,319,178	28,486,000	2,009,016	200,000
Interest on term deposit	3,722,411	271,408	24,334	1,906
Foreign translation reserve	-	-	-	-
Total	**311,041,589**	**28,757,408**	**2,033,350**	**201,906**

Notes to the financial statements (continued)

Term deposit with UBA

Term deposit with UBA are carried at an interest rate of 3.2% and at a maturity date of November 2, 2023. It is expected that BLMCL will receive an amount of $1,005,260 at is maturity date for the $1,000,000 investment.

13.00 LOANS AND ADVANCES TO CUSTOMERS

Group loan (Microfinance)	1,753,094,879	1,340,666,903	11,460,384	9,412,813
Small enterprises program (SEP)	368,274,872	301,533,999	2,407,497	2,117,068
Job holders' loans	33,441,732	31,974,014	218,616	224,489
Loan written off	(24,441,083)	(23,501,612)	(159,777)	(165,005)
Interest receivable	36,258,590	27,353,948	237,031	192,052
Interest receivable written-off	(3,256,228)	(1,981,561)	(21,287)	(13,913)
Impairment loss on loans advances	(27,518,398)	(28,579,272)	(179,894)	(200,655)
Total	**2,135,854,364**	**1,647,466,419**	**13,962,570**	**11,566,850**

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

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

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

Notes to the financial statements (Continued)

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

At 1 January	1,650,673,304	1,255,222,063	11,589,365	7,795,442
Loan disbursed	6,023,642,008	4,620,597,602	39,553,543	28,016,215
Less: Loan repayment	(5,519,503,829)	(4,201,644,749)	(36,243,178)	(25,475,965)
Translation difference	-	-	(813,233)	1,418,678
	2,154,811,483	**1,674,174,916**	**14,086,497**	**11,754,370**
Less: Loans written-of (P)	(24,441,083)	(23,501,612)	(159,777)	(165,005)
Gross advances to customer	2,130,370,400	**1,650,673,304**	**13,926,720**	**11,589,365**
Interest receivable	36,258,590	27,353,948	237,031	192,052
Interest receivable written off	(3,256,228)	(1,981,561)	(21,287)	(13,913)
Less: Impairment loss on loans advanced (13.2)	(27,518,398)	(28,579,272)	(179,894)	(200,655)
Net advances to customers	**2,135,854,364**	**1,647,466,419**	**13,962,570**	**11,566,850**

Notes to the financial statements (continued)

13.2 Allowance for loans loss account

At 1 January	28,579,272	15,164,554	200,655	96,479
Charge for the year	26,636,437	38,897,892	174,905	235,851
Loans written off (P)	(24,441,083)	(23,501,612)	(159,777)	(165,005)
Interest receivable written off	(3,256,228)	(1,981,561)	(21,287)	(13,913)
Translation difference	-	-	(15,688)	47,242
At December 31	**27,518,398**	**28,579,272**	**179,894**	**200,655**

14. Other assets

	2022 LRD	2021 LRD	2022 USD	2021 USD
Advance to third parties	4,125,301	39,436	26,968	277
Prepaid rent	8,487,362	7,563,112	55,484	53,101
Inventory-passbook	4,261,000	4,487,052	27,855	31,504
Total	**16,873,663**	**12,089,600**	**110,307**	**84,881**

15. Intangible assets:

Cost				
As at 31 December 2021	9,173,831	1,440,041	63,242	8,943
Software cost added in the year	28,473,167	7,733,790	186,136	54,299
Translation reserve	-	-	(3,270)	-
As at 31 December 2022	**37,646,998**	**9,173,831**	**246,107**	**63,242**
Accumulated Amortisation				
As at 31 December 2021	801,117	-	4,238	-
Amortised for the year	4,128,225	801,117	27,108	5,239
Translation difference	-	-	878	(782)
As at 31 December 2022	**4,929,342**	**801,117**	**32,224**	**4,457**
Net Book Value				
As at 31 December 2021	**-**	**8,372,714**	**-**	**58,785**
As at 31 December 2022	**32,717,656**	**-**	**213,883**	**-**

Notes to the financial statements (continued)

16. Property and equipment

	Furniture	Equipment	Motor vehicles	Total	Total
	LRD	LRD	LRD	LRD	USD
Costs					
At January 1, 2021	**8,798,437**	**29,305,372**	**16,155,620**	**54,259,429**	**336,973**
Additions	1,956,325	9,730,141	-	11,686,466	70,859
Translation difference				-	55,174
At December 31, 2021	**10,754,762**	**39,035,513**	**16,155,620**	**65,945,895**	**463,006**
Additions	8,053,767	17,380,957	96,615	25,531,339	167,649
Disposal	(4,816,631)	(21,214,062)	(827,238)	(26,857,931)	(176,359)
Translation difference	-	-	-	-	(31,864)
At December 31, 2022	**13,991,898**	**35,202,408**	**15,424,997**	**64,619,303**	**422,431**
Accumulated depreciation					
At January 1, 2021	**3,991,966**	**14,034,257**	**7,364,515**	**25,390,738**	**157,687**
Charge for the year	124,471	3,250,153	2,604,889	5,979,513	36,256
Translation difference		-	-	-	26,308
At December 31, 2021	**4,116,437**	**17,284,410**	**9,969,404**	**31,370,251**	**220,250**
Charge for the year	1,743,198	8,665,461	3,016,509	13,425,169	88,155
Reclassifications (old assets)	1,085,626	(1,445,533)	359,907	-	(58,962)
Disposal	-	(8,979,356)		(8,979,356)	
Translation difference					(15,305)
At December 31, 2022	**6,945,261**	**15,524,983**	**13,345,820**	**35,816,063**	**234,138**
Written down Value:					
At December 31, 2021	**6,638,325**	**21,751,103**	**6,186,216**	**34,575,644**	**242,755**
At December 31, 2022	**7,046,637**	**19,677,425**	**2,079,177**	**28,803,239**	**188,293**

Notes to the financial statements (continued)

17. Loan security fund

	2022 LRD	2021 LRD	2022 USD	2021 USD
Opening balance	384,287,142	301,486,914	2,698,077	1,872,357
Received during the year	185,999,152	137,025,935	1,221,342	830,834
Paid off /Adjusted during the year	(75,982,677)	(54,225,707)	(496,716)	(380,718)
Translation difference	-	-	(191,327)	375,605
Closing balance	**494,303,617**	**384,287,142**	**3,231,376**	**2,698,077**

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

18. Related party payables

	2022 LRD	2021 LRD	2022 USD	2021 USD
Payable to BRAC International Holdings B. V	78,977,646	55,651,673	516,295	390,730
Payable to Bangladesh	12,407,722	5,506,954	81,112	38,664
Payable to Stichting BRAC International	2,607,673	-	17,047	-
Payable to BRAC Liberia NGO	5,151,313	5,159,402	33,675	36,224
Total	**99,144,354**	**66,318,029**	**648,129**	**465,618**

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

The relationship with BRAC Liberia NGO is based on the training facilities which is managed by NGO from which BRAC Liberia Microfinance Co Ltd uses for various trainings.

Notes to the financial statements (continued)

19. Borrowings	**Interest rate**	**2022 LRD**	**2021 LRD**	**2022 USD**	**2021 USD**
Loan from KIVA (19.01)	0%	60,161,258	64,490,332	393,288	452,786
Central Bank of Liberia (19.02)	2%	63,939,120	63,939,124	417,985	448,916
Loan from Global Partnership (19.03)	6.6%	-	107,151,871	-	752,313
Loan Whole Planet Foundation (19.04)	0%	70,835,876	84,534,254	400,000	500,000
Loan from UBA (Overdraft)	7%	98,160,672	-	641,699	-
Loan from BRAC International BV(19.05)	5.85% & 6.85%	306,006,236	-	2,000,433	-
Total		**599,103,162**	**320,115,581**	**3,853,405**	**2,154,015**

Movement in borrowings:

19.01 Loan from Kiva @ 0%

	2022 LRD	2021 LRD	2022 USD	2021 USD
Opening balance	64,490,332	57,970,802	452,786	360,022
Received during the year	21,874,748	21,712,021	119.011	53,563
Interest payable	-	-	-	-
Paid during the year	(26,203,822)	(9,384,484)	(172,318)	55,224
FX loss/(gain)	-	(5,807,643)	(6,192)	(16,023)
	60,161,257	**64,490,332**	**393,288**	**452,786**

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

19.02 Loan from Central Bank of Liberia @ 2%

	2022 LRD	2021 LRD	2022 USD	2021 USD
Opening balance	63,939,124	63,939,128	448,916	397,088
Received during the year	-	-	-	-
Interest payable	1,274,532	1,274,532	8,332	8,948
Paid during the year	(1,274,536)	(1,274,536)	(8,332)	(8,948)
Exchange (gain)	-	-	(30,931)	51,828
	63,939,120	**63,939,124**	**417,985**	**448,916**

The Company received US$ 325,000 on October 19, 2017, and US$ 228,712 on May 31, 2018, at 2% interest rate which is to be paid on quarterly basis. The principal for each loan is to be repaid to the Central Bank of Liberia as installment basis on October 2023 and December 2024 in equivalent local currency (LRD) as per amendment agreement which is LRD 115.09/ $USD.

Notes to the financial statements (continued)

19.03 Global partnership @ 6.6%

Opening balance	107,151,871	80,672,362	752,313	501,008
Received during the year	-	88,034,860	-	500,000
Principal paid in the year	(114,565,000)	(39,288,750)	(125,000)	(250,000)
Interest payable	6,791,385	8,856,028	27,546	27,546
Interest paid during the year	(7,019,331)	(8,617,047)	(16,867)	(16,867)
FX loss / (gain)	7,641,074	(22,505,582)	(637,992)	(9,375)
	-	107,151,871	-	752,313

The company received US$ 500,000 from Global Partnership on September 03, 2019 and US$ 504,000 on April 2021 at 6.6% interest rate with quarterly interest repayments. During the year 2021 a total of $250,000 has been repaid (USD 125,000 on June 20, 2021 and USD 125,000 on December 20, 2021). The organization paid back $750,000 into two installments ($125,000 in June 20,2022 and $615,000 on December 20, 2022). Therefore, no balance as at 31 December 2022 due for the Global Partnership.

19.04 Whole Planet Foundation @ 0%	2022 LRD	2021 LRD	2022 USD	2021 USD
Opening balance	84,534,254	83,499,009	500,000	518,563
Received during the year	-	-	-	-
Principal repaid	(13,698,378)		(100,000)	
Interest payable	-	-	-	-
Paid during the year	-	-	-	-
FX loss/ (gain)	-	1,035,245	-	(18,563)
	70,835,876	84,534,254	400,000	500,000

The Company received loan amounts for LRD 13,698,378 on 27 June, 2018; LRD 32,611,836 on 9 April 2019 and LRD 37,188,795 in 16 January 2020 from Whole Planet Foundation at 0% interest rate. In 2022, Whole Planet Foundation reinvested the installment that was due in July 2021 amounting to $100,000 for one year to July 2022. The organization paid back to Whole Planet LRD 13,698,378 which is equivalent to USD 100,000 in July 2022. The remaining $400,000 has been rescheduled and will be paid as one installment in January 2026.

19.05 BRAC International Finance BV (5.85 & 6.85%)	2022 LRD	2021 LRD	2022 USD	2021 USD
Opening Balance	-	-	-	-
Received during the year	304,640,000	-	1,991,502	
Interest payable	9,805,165	-	64,099	-
Paid during the year	(9,765,311)	-	(63,838)	-
FX loss/ (gain)	1,326,383	-	8,671	-
	306,006,236	-	2,000,433	-

The organization secured USD 1 million in May 2022 and another USD 1 million in September 2022 making a total loan USD 2 million. The interest rates are 5.85% and 6.85% respectively. Each loan has technical fee of 1%. The facilities are for 3 years.

19.06 UBA Overdraft	**2022 LRD**	**2021 LRD**	**2022 USD**	**2021 USD**
Opening Balance	-	-	-	-
Received during the year	98,160,672	-	641,699	
Interest payable	-	-	-	-
Paid during the year	-	-	-	-
FX loss/ (gain)	-	-	-	-
	98,160,672	**-**	**641,699**	**-**

The organization secured an overdraft facility amounting to LRD 130 million in November 2022. The facility has interest of 7% per annum. It is 110% covered by cash cover placed with the bank in USD which is USD 1 million. The facility is for 1 year subject to renewal on merit basis.

Notes to the financial statements (continued)

20.00 Other liabilities

	2022 LRD	2021 LRD	2022 USD	2021 USD
Bonus Provision	517,717	(1)	3,384	(0)
Self-insurance fund	7,679,099	4,646,167	50,200	32,621
Provision for audit fee	927,517	1,051,150	6,063	7,380
Professional & Consultancy Fees Payable	439,861	-	2,875	-
Tax withholding	1,643,062	9,588,996	10,741	67,324
NASSCORP provision	362,767	288,197	(2,371)	2,023
Payable to BRAC IT Services LTD	10,965,347	6,596,962	71,683	46,317
Salary provisions	824,901	774,907	5,393	5,441
Gratuities payable	39,949,211	33,027,374	261,158	231,885
Other provisions	12,197,661	7,138,632	79,739	50,122
	74,781,609	**63,112,384**	**488,865**	**443,113**

21.00 Donor funds

	2022 LRD	2021 LRD	2022 USD	2021 USD
Donor funds received in advance (Note 21.01	42,927,722	-	280,628	-
Donor funds investment in fixed assets (Note 21.02)	(3,194)	-	(21)	-
	42,924,528	-	280,607	-

21.1 Donor funds received in advance

	2022 LRD	2021 LRD	2022 USD	2021 USD
Opening balance	-	6,741,907	-	47,335
Donation received during the year (Note 21.1.1)	62,108,865	17,813,725	409,500	114,200
Transferred to deferred income-	-	-	-	
investment in fixed asset	-	-	-	-
Transferred to statement of income and expenses	(19,181,143)	(24,55,632)	(125,392)	(111,986)
Foreign exchange adjustment	-	-	(3,480)	(49,551)
Closing Balance	**42,927,722**	**-**	**280,628**	**-**

21.1.1 Donations received during the year

BRAC USA (Weberg Foundation)		-		-
BRAC Liberia - KP grants	-	8,619,780	-	60,519
FMO	-	9,193,945	-	53,681
Mastercard Foundation (MCF)-AIM	62,108,865	-	409,500	-
	62,108,865	**17,813,725**	**409,500**	**114,200**

Notes to the financial statements (continued)

22. Share Capital

Name	% of holding				
BRAC International Holdings BV	100%	339,339,071	339,339,071	4,076,145	4,076,145
Total		**339,339071**	**339,339,071**	**4,076,145**	**4,076,145**

23. Right of Use (ROU) assets

	2022 LRD	2021 LRD	2022 USD	2021 USD
(a) ROU (Right of use) asset	10,625,898	10,304,329	69,464	63,994
Additions during the year	-	3,499,511	-	24,570
Accumulated Depreciation of ROU assets	(6,942,656)	(7,669,955)	(45,386)	(45,498)
Translation difference	-	-	-	-
Net ROU assets	**3,683,242**	**6,133,885**	**24,078**	**43,066**
(b) Lease liability	5,558,790	4,238,908	36,339	29,761

(c) Expenses

	2022 LRD	2021 LRD	2022 USD	2021 USD
Depreciation expense (ROU)	6,942,656	7,669,955	45,588	53,851
Interest on lease liability	375,065	290,310	2,463	2,038
Total Lease expenses	**7,317,721**	**7,960,265**	**48,051**	**55,889**

24. Contingent liabilities

In 2022, BLMCL leased an Office space in Thinker Village from Plaintiff but decided to terminate the agreement and served the Plaintiff termination notice. However, BLMCL did not vacate the premises at the end of the termination notice and had the keys to the property in BLMCL's possession for 4(four) months. Hence, Plaintiff sued BLMCL for rental payment under the lease agreement claiming the amount of LRD 420,000 (Four hundred twenty thousand Liberia dollars) for annual unpaid rent on grounds that the lease was automatically renewed by BLMCL's action of being in possession of the premises.

The trial is still ongoing at the Debt court. The Plaintiff has rested with the production of evidence. BLMCL has started producing evidence. However, the parties are negotiating for Plaintiff to be paid 9(nine) months rental and voluntarily withdraw the case.

Two former employees brought in an action of Unfair Labor Practices and Wrongful Dismissal in 2020 and 2021 respectively. The maximum exposure of the case is LRD 599,904 (Five hundred ninety-nine thousand nine hundred four Liberian dollars). Currently the case is still pending, one at the National Labor Court on an appeal and one at the Supreme Court.

Per the court proceedings, the likelihood of success is that, BRAC has more than 80% chance of having the ruling of the Labor Ministry reversed for both former employees, and not being liable for wrongfully dismissal.

Notes to the financial statements (continued)

27. Translation reserve adjustment

The translation reserve adjustments reported in the statement of changes in equity relates to an overstatement of the prior period closing balance and movement in translation reserves in current year.

28. Capital expenditure commitments

There were no material capital expenditure commitments either authorized or contracted as on December 31, 2022 (2021: Nil).

29. Subsequent events

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