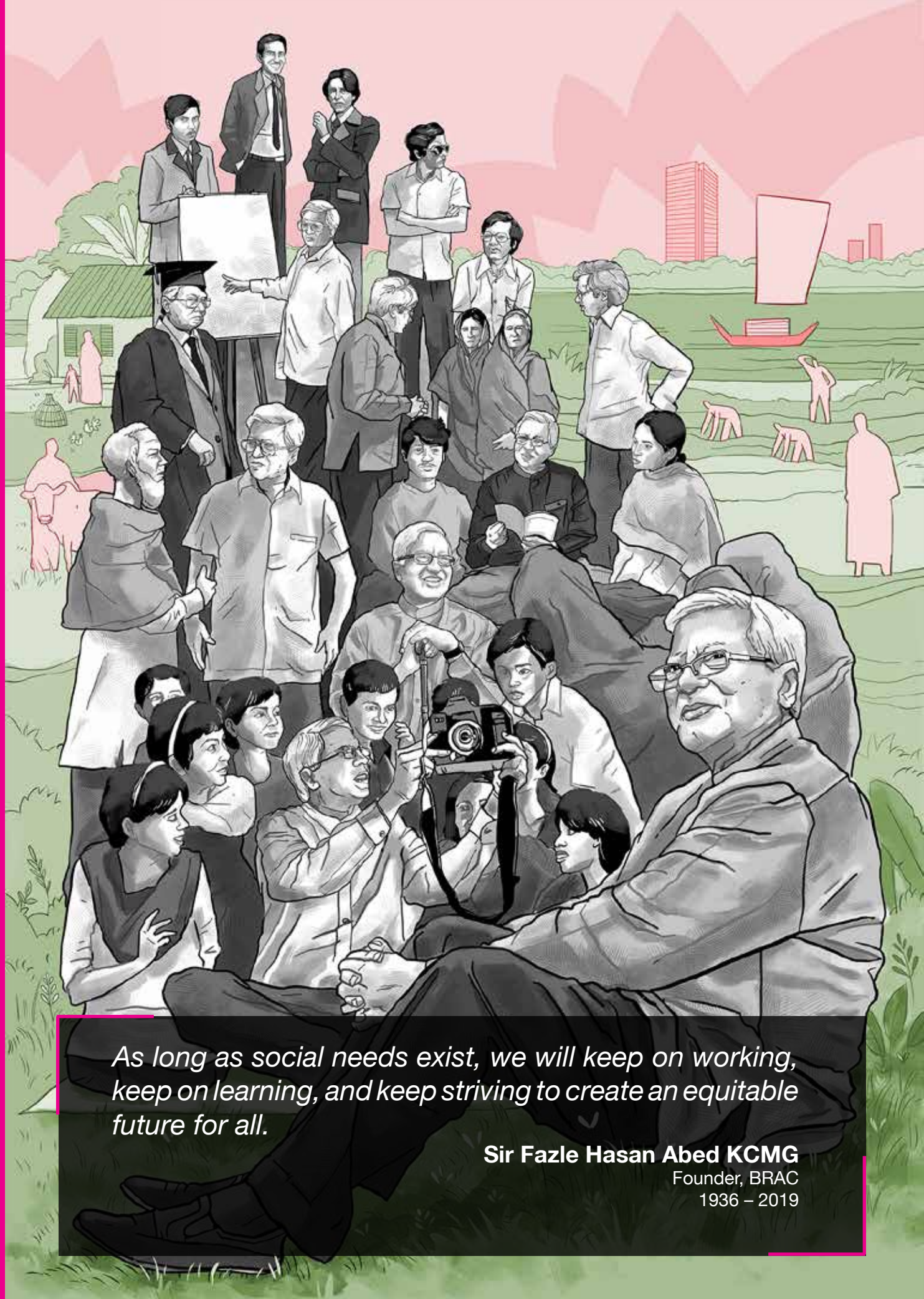




ANNUAL
REPORT 2020

**BRAC
MICROFINANCE
SIERRA LEONE
LIMITED**





As long as social needs exist, we will keep on working, keep on learning, and keep striving to create an equitable future for all.

Sir Fazle Hasan Abed KCMG
Founder, BRAC
1936 – 2019

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LETTER FROM THE BOARD CHAIRPERSON

RESILIENCE IN TIMES OF CRISIS

The year 2020 was an unprecedented time for all of us due to the profound impact caused by the COVID-19 pandemic. As I reflect upon the year, I first and foremost remember the billions of people around the world who have been severely affected by the deadly virus. Millions of lives were lost. Millions more around the world lost their jobs, sometimes their only form of livelihood. And like any catastrophe, natural or human-made, the severity of the pandemic was more acutely felt by people living in poverty and marginalised conditions. It is heartbreaking to see that for the first time in 20 years, global poverty is likely to increase as a result of the COVID-19 pandemic.

Though the pandemic unfolded at different speeds and intensities in the six countries where BRAC International operates its microfinance entities, we have strived to not only look out for our own health and that of our families, collectively as the BRAC family, but also to assure our clients that we remain committed to stand beside them during this difficult time. BRAC's mission to empower people and communities in situations of poverty, illiteracy, disease and social injustice was put to the test once again, and was exhibited through the actions of every member of BRAC's staff.

It is in challenging times like these that we remember the vision of our founder Sir Fazle Hasan Abed. The year 2020 also marked the first death anniversary of Abed bhai, as we lovingly addressed him. Abed bhai was a pioneer of financial services and social enterprises as crucial tools to address poverty and social injustice. His ideology of 'not to lose sight of people who need us the most' is at the heart of BRAC's DNA, and it is the compass that guides us through these times more than ever before.

BRAC International Microfinance's initial response to COVID-19 aimed to enable our clients to withstand the shock of the pandemic, through providing immediate relief by offering



DR MUHAMMAD MUSA

Board Chairperson
BRAC Microfinance Sierra Leone Limited

Executive Director
BRAC International



Although the world will remember 2020 as the year of the pandemic, let us also remember it as the year of resilience and empathy. Abed bhai always believed that given the right resources, people living in poverty can change their own destinies. Through the collective effort of our partners, investors, host governments, donors and peers, we can create an equitable world where everyone has the opportunity to realise their potential.

payment holidays. We rolled-out rescheduling and refinancing mechanisms targeting economic recovery and enhancing the inherent resilience of our clients. After a year of the crisis, we remain steadfast in our focus to bring more people under the umbrella of financial inclusion and improve their financial resilience to combat future shocks.

In partnership with BRAC's social development programmes in Sierra Leone, BRAC Microfinance Sierra Leone Limited (BMSLL) played a vital role in creating awareness amongst our clients and the wider communities about the spread of the virus. We engaged in relief activities for those living in vulnerable conditions. We took special measures to keep our staff safe in the workplace and issued urgent health guidelines following public health directives. We retained all our staff and continued to pay their salaries even as our operations were suspended at various times. We remained on the ground and adapted our strategy as the situation evolved, working in close coordination with the government and local communities.

Despite the required adjustment to our plan for 2020, BMSLL has remained undeterred in its mission to provide financial services to people living in poverty, particularly women and populations living in rural and hard-to-reach areas. In 2020, we completed the second impact survey, a regular exercise to measure our social impact and develop strategies to improve services and reach more people living in poverty. The findings have reinforced the important role that BMSLL plays in fulfilling a critical gap by providing access to finance to underserved communities. Clients reported greater levels of financial resilience and stability, with a remarkable 95% of clients saying that their ability to save has improved and 92% of clients spent more on home use such as healthcare and better meals after engaging with BRAC.

The results demonstrate that financial services, when delivered in a responsible way, can strengthen the resilience of people living in poverty. That is why microfinance continues to be an important element of BRAC's holistic approach to development ever since we provided our first loan in Bangladesh in 1974. Moving ahead in 2021, BRAC International Microfinance will resume implementation of its Growth for Impact plan, advancing financial inclusion and creating positive impact in the lives of women we serve.

Although the world will remember 2020 as the year of the pandemic, let us also remember it as the year of resilience and empathy. Abed bhai always believed that given the right resources, people living in poverty can change their own destinies. Through the collective effort of our partners, investors, host governments, donors and peers, we can create an equitable world where everyone has the opportunity to realise their potential.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As the global COVID-19 pandemic continues to impact the entire world, the economic effects that accompany it remains a serious concern. During this challenging period, BRAC Microfinance Sierra Leone Limited (BMSLL) is reminded of its duty as an organisation to stand by people in need.

At first, all BRAC staff were trained on COVID-19 health guidelines and received protective wear to ensure their safety from the virus. To increase the awareness among the communities we serve, BMSLL collaborated with BRAC's social development programmes to reach 100,000 people with life-saving information. Additionally, focusing on mitigating the economic consequences on the lives of our clients, we offered payment holidays, loan rescheduling options, and refinanced customers to help them overcome the crisis.

More than ever, BMSLL has been committed to ensure that more people in marginalised and hard-to-reach areas could access finance. Since 2008, BMSLL has established 38 branch offices in 12 of Sierra Leone's 16 districts, reaching 53,741 clients, of whom 96% are women, with an overall loan outstanding of USD 9.2 million.

Crucial to our objectives, we have maintained our attempts to develop new and innovative financial products for our target customers. In 2020, we joined forces with Palladium to conduct an assessment following the Human Centred Design approach to develop a customised product for smallholder farmers. We completed audits and developed action plans as part of our continued commitment to client protection and social performance management. For the second year in a row, we conducted an impact assessment using Lean DataSM methodology that will assist us to define objectives and connect with more people living in poverty to achieve our mission.

These triumphs would not have been realised without the hard work of our colleagues, whose never-ending dedication and loyalty towards our clients are a testament of the values of



RAFIQUL ISLAM

Chief Executive Officer
BRAC Microfinance Sierra Leone Limited

BRAC. We are grateful to the Bank of Sierra Leone, Ministry of Finance and Development Planning, and our partners Whole Planet Foundation and KIVA, for supporting us in our journey to serve our clients.



Lastly, I want to thank our clients who continue to inspire us to carry on with our mission. Building up on the strong bonds with our clients, partners and the government, BMSLL will continue to reach more people living in poverty, especially women in rural and hard-to-reach areas, with responsible, inclusive, and innovative products, to strengthen their resilience in the face of future crises.



BRAC INTERNATIONAL

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands. It governs all entities outside Bangladesh with an objective to engage in charitable and social welfare activities in any country of the world.

BRAC INTERNATIONAL HOLDINGS B.V.

BRAC International Holdings B.V. (BIHBV) was set up in 2010 as a private limited liability company and is a wholly-owned subsidiary of Stichting BRAC International. BIHBV is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core focus of BIHBV is to provide microfinance services to people living in poverty to build financial resilience, contribute to women's economic empowerment and improve the quality of life in the communities it serves.

BRAC INTERNATIONAL SAFEGUARDING ACHIEVEMENTS 2020

Safeguarding practices were initiated in BRAC from the very inception of the organisation. However, many of the practices were not formalised until 2019 when the organisation produced the overarching safeguarding policy and the five sub-set policies, namely:

- Child and Adolescent Protection policy
- Sexual Harassment Elimination policy
- Prevention of Workplace Bullying and Violence policy
- Adults with Special Needs policy
- Whistleblowing policy.

In 2020, all these policies were adapted in the BRAC International (BI) countries considering the country context and law by review of the Country Management Team and vetting by a legal counsellor. The policies are now implemented in all the BI Country Offices, the Africa Regional Office in Kenya, and the Dhaka Office in Bangladesh. **All staff members have received training and orientation on safeguarding and the five sub-set policies, along with guidelines on the reporting and response mechanism of the organisation.**

All BI offices now have a committee, known as the Human Resource Compliance Committee (HRCC), in place to review and address the complaints received in an appropriate manner. With awareness raising in all countries on safeguarding, whistleblowing and the reporting mechanism, the number of complaints lodged in 2020 spiked to a number of sixty-nine from only five in 2019.

STAFF TRAINING ON SAFEGUARDING IS AN ONGOING PROCESS. IT IS INCLUDED IN THE INDUCTION OF ANY NEW STAFF JOINING THE ORGANISATION. A NUMBER OF INITIATIVES WERE TAKEN TO MAINSTREAM SAFEGUARDING WITH OTHER KEY SYSTEMS OF THE ORGANISATION



An online e-course was developed in 2020 when classroom training could not take place due to the COVID-19 pandemic.



A safeguarding checklist was developed for programme design, safeguarding indicators were developed to include in the Audit Charter.



Monitoring Mechanism and risk management framework, and a checklist was developed to assess safeguarding practices in different BI Countries.



Some of the BI countries have started safeguarding awareness building for their programme participants and informed them of the contact details to report any incident violating the safeguarding policy. The safeguarding clause is included in partnership agreements and partners are also oriented on safeguarding and sub-set policies, procedures, and the reporting mechanism.

Towards the end of 2020, BI reviewed the Sexual Harassment Elimination policy to incorporate the key elements of Protection of Sexual Exploitation and Abuse (PSEA). The revised policy was reviewed and vetted by UNICEF. The BI countries have also conducted a mapping exercise to locate service providers to support victims/survivors of safeguarding incidents.

Overall, a good attempt has been made to integrate safeguarding in various systems and processes within the organisation to contribute to building a safeguarding culture. However, a lot remains to be done and much more effort needs to be given in awareness building, incident reporting, case management, risk assessments, and capacity building. There are Safeguarding Focal Points in all the offices of BI who are working relentlessly to advocate and support safeguarding initiatives and ensure the safeguarding standards are met adequately.



In all our endeavours, we adhere to the industry's Universal Standards for Social Performance Management and the Client Protection Principles, **placing clients' well-being at the center of everything we do to achieve our mission.** We are committed to enhance our clients' financial awareness through initiatives such as pre-disbursement orientations and financial literacy training. We regularly measure our social performance and desired client-level outcomes to improve our services and achieve long-term impact.

We are embracing financial technology by digitising field operations and adopting alternative delivery channels to increase operational efficiency and offer greater convenience to our clients. **The client value proposition is at the core of our digital transformation efforts, with a particular emphasis on reducing the gap in women's digital financial inclusion.**

BRAC believes that sustainable, large-scale change must address and deliver both economic and social progress. Since we started microfinance activities in Bangladesh in 1974, microfinance has been an integral part of BRAC's holistic approach to development, equipping people with the tools to invest in themselves, their families, and their communities.

BRAC INTERNATIONAL MICROFINANCE

Following decades of experience and insight in delivering financial services to populations living in poverty in Bangladesh, BRAC first expanded its microfinance operations internationally in 2002 and now operates in six countries in Asia and Africa, serving more than **650,000 clients, 96% of whom are women.**

Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas, to create self employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

We offer inclusive, accessible, and convenient loan and savings products, tailored to the needs of the local community. Our core credit products include group-based microloans provided exclusively to women, and small enterprise loans for entrepreneurs seeking to grow their businesses. We are also exploring innovative solutions to fulfill the unique financial needs of rural small-holder farmers and the youth population.



BRAC INTERNATIONAL HOLDINGS B.V.

SUPERVISORY BOARD



MARILOU VAN GOLSTEIN BROUWERS

Chair

Marilou van Golstein Brouwers is a former chair of the Management Board and founder of Triodos Investment Management B.V., a subsidiary of Triodos Bank.

Ms Brouwers is an international entrepreneurial impact investment banker, with more than 30 years of experience in values-driven business and banking, with immense expertise on impact investing.

She started working for Triodos Bank in 1990 and was involved in the founding of Triodos Investment Management, of which she became the managing director in 2003. She was the chair of the Management Board from January 2015 to December 2018.

Ms Brouwers is currently active in a variety of roles. Within Triodos Bank, she is a member of several boards and involved in the start-up of the Triodos Regenerative Money Centre. She is also a member of the Board of Directors of the Global Impact Investing Network and the Special Working Group on impact economy by the Global Steering Group for Impact Investment. She is chair of the Supervisory Board of B Lab Europe and the Supervisory Board of Qredits, The Netherlands, one of the Women Entrepreneurs Finance Initiative Leadership Champions.

Ms Brouwers has served on the board of directors of banks in Uganda, Kenya, Tanzania, Russia, Afghanistan and Pakistan. She was a member of the Group of Advisors for the United Nations Year of Microcredit in 2004 and 2005, of the Executive Committee of CCAP (2003-2008), the Board of Trustees of Women's World Banking (2003-2012), the Advisory Committee of the Mastercard Foundation Fund for Rural Prosperity (2014-2017) and the Advisory Council on International Affairs Committee for Development Cooperation in The Netherlands. She was chair of SBI Limited (2011-2013), the Steering Committee of the Principles for Responsible Investment / Principles for Investors in Inclusive Finance (2011-2013) and the Advisory Board of Women in Financial Services in The Netherlands (2011-2016). She was also treasurer of the Max Havelaar Foundation (2008-2015).

Ms Brouwers studied business and economics at Erasmus University in Rotterdam.



DR MUHAMMAD MUSA

Director

Dr Muhammad Musa is the Executive Director of BRAC International. He comes with an extensive background in leading humanitarian, social development, and public health organisations at national, international, and cross-cultural settings.

Previously, Dr Musa served as the Executive Director of BRAC Bangladesh, where he successfully upheld BRAC's mission to eliminate poverty and inequality. Under his leadership, BRAC launched the Humanitarian Crisis Management Programme in Cox's Bazaar, Bangladesh, in August 2017, which has given BRAC a strong foundation to stand beside people in crisis anywhere in the world.

Prior to joining BRAC, Dr Musa worked with CARE International for 32 years. Twenty of those years were spent working in Ethiopia, Uganda, South Sudan, Tanzania, Thailand, India, and Bangladesh. He also worked as the Asia Regional Director for CARE International for five years. Dr Musa has been successful in bringing convergence of philanthropic approaches and entrepreneurial methodologies to create sustainable development programming that achieves impact on poverty at large scale.

Dr Musa has a proven track record in strategic leadership, governing board management, and successfully chairing a financial institution and an information technology company in Bangladesh for four years. His expertise lies in external relationship management, brand-building, communications, and fundraising for development projects.

Being adept at people management and conflict resolution, Dr Musa has established a reputation for leading complex organisational change processes in multicultural settings. He is known for his unique ability to attract and develop young professionals for humanitarian and social development leadership roles. He is also an internationally recognised senior management trainer.

Dr Musa holds a Master's degree in Public Health from the Johns Hopkins University, USA, and a post-graduate diploma in Maternal and Child Nutrition from the Netherlands. He completed his Bachelor of Medicine and Bachelor of Surgery (MBBS) at Chittagong Medical College, Bangladesh.



PARVEEN MAHMUD FCA

Director

Parveen Mahmud, in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSF, Bangladesh's apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh

Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women's Forum.

Ms Mahmud is the recipient of Ananyna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.



GREGORY CHEN

Director

Gregory Chen has worked on financial inclusion for 25 years, with most of his work spanning across South Asia. His work focuses on hands-on advisory and implementation with microfinance institutions and, for the past decade, with newer players in digital finance. This has included work with digital players like bKash, Wave Money and also development organisations including the Aga Khan Development Network, BRAC, and Dvara. His work has included deep technical engagements with more than a dozen financial sector regulators. He has also worked as a corporate banker at Bank of America and with the financial services consulting firm Enclude.

Mr Chen is a member of CGAP's management team and oversees CGAP's policy Engagement. He focuses on helping policy makers adapt to the rapid change in the world of financial services brought on by technology, and particularly to ensure that financial systems can responsibly reach the disadvantaged.

Mr Chen is a regular speaker on microfinance and digital finance at the Boulder Institute for Microfinance, BRAC University, Johns Hopkins, Tufts University, Yale University, and American University, among others. He has a master's degree in international development from Harvard Kennedy School and a bachelor's degree from Wesleyan University.

BRAC INTERNATIONAL MICROFINANCE MANAGEMENT



SHAMERAN ABED

Managing Director
BRAC International Holdings B.V.
Senior Director
Microfinance & Ultra Poor Graduation
BRAC and BRAC International

Shameran Abed is Senior Director of BRAC's Microfinance and Ultra-Poor Graduation programmes. BRAC's microfinance programme serves more than 8 million clients in seven countries in Asia and Africa, with total assets exceeding USD 3.5 billion. BRAC's ground-breaking Ultra-Poor Graduation program has helped more than 2 million households pull themselves out of the direst forms of poverty and social deprivation, inspiring BRAC's Ultra-Poor Graduation Initiative to scale the Graduation approach and help 21 million more people lift themselves from extreme poverty. Abed chairs the board of bKash, BRAC Bank's mobile financial services subsidiary and one of the world's largest mobile money providers, and serves on the boards of several institutions including BRAC Bank, BRAC Uganda Bank, and the Global Alliance for Banking on Values (GABV). He is also the chairman of the Microfinance Network and is a member of the Partnership for Responsible Financial Inclusion (PRFI) and the World Economic Forum Financial Inclusion Steering Committee. Abed is a lawyer by training, having been called to the Bar by the Honourable Society of Lincoln's Inn in the UK.



HANS ESKES

Director
BRAC International Holdings B.V.

Hans Eskes is a retired audit partner from one of the largest international active audit firms. Presently he holds roles as advisor and as board member in various international companies.

He worked in The Netherlands, Spain and China for clients located throughout Europe, Americas, Africa, and Asia.

During this career his client portfolio became a reflection of most industries and activities that form an important part of society. Within his portfolio he was not only responsible for companies listed on the stock exchanges in London, Frankfurt and Amsterdam, but also for clients active in the financial sector, education, medical institutions and cultural foundations.

Eskes holds a master degree of the Dutch Institute of Chartered Auditors, trainings in the different accounting frameworks and the INSEAD leadership development programs.



BRIDGET DOUGHERTY

Director
Operations
BRAC International Holdings B.V.

Bridget Dougherty is the Director of Operations, BRAC International Holdings B.V. Dougherty is responsible for strengthening and supporting the maturing of their Financial Institutions in line with their Growth for Impact strategy, including digital transformation and impact measurement. Dougherty has fifteen years of experience in consulting, project management, process improvement, and systems implementation, working the last ten years in private sector development and financial inclusion.

Prior to joining BRAC, Dougherty was the Project Manager for the Partnership for Responsible Financial Inclusion at the Center for Financial Inclusion at Accion, and has held several other positions including Program Manager for Truelift, and as Executive Operations Manager at an NGO in Vietnam that worked to promote economic development in sectors that had strong market inclusion for the poor and positive global growth prospects. Dougherty began her career at Accenture, where she project managed and deployed large-scale system implementations for Fortune 100 and 500 corporations. She holds a BA in Economics and Spanish from the University of Illinois at Urbana-Champaign.



SYED ABDUL MUNTAKIM

Ag. Director
BRAC International Holdings B.V.
Director
Finance, BRAC International

Mr Muntakim is a Chartered Management Accountant with over 18 years of experience in the FMCG commercial and corporate financial management.

Prior to joining BRAC, he was a Commercial Finance Controller in the Global Operations function of British American Tobacco (BAT) plc. His previous roles include Senior Commercial Audit Manager, Regional Finance Manager, Europe Region and Management Accountant in BAT London, UK. He also worked as the Corporate Analysis Manager and Leaf Finance Manager for BAT in Bangladesh.

Mr Muntakim is a member (ACMA) of the Chartered Institute of Management Accountants (CIMA), UK and Chartered Global Management Accountant (CGMA) of the Association of International Certified Public Accountants, a joint accounting association of AICPA, USA, and CIMA in the UK.

BRAC MICROFINANCE SIERRA LEONE COMPANY LIMITED GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Dr Muhammad Musa	Chairperson
Shameran Abed	Director
Johannes Maria Antonius Eskes	Director
Syed Abdul Muntakim	Director
Ruth Adhiambo Okowa	Director
Rafiqul Islam	Chief Executive Officer & Ex-officio

COUNTRY MANAGEMENT TEAM

Rafiqul Islam	Chief Executive Officer
Prince Momoh	Head of Finance
Mohammad Saidul Haque	Programme Manager
Mohamed Khalil Koroma	Head of Internal Audit
Christiana Mac-Turay	Social Performance Manager

OUR PARTNERS



PROGRAMME OVERVIEW





COUNTRY SITUATION

Sierra Leone experienced strong and stable economic growth from 2003 to 2014, until the Ebola epidemic caused a major setback to the country's economy. Since then, it has been steadily recovering, driven by the growth in the agriculture sector.

The country has made some advancements in financial inclusion with the drafting of the Financial Sector Development Plan in 2008 and the National Strategy for Financial Inclusion 2017-2020. Despite these efforts, Sierra Leone has one of the lowest rates of financial inclusion on the African continent. Only one in ten adults have access to formal financial services in the country. Women are disproportionately left out of the formal financial system, as are people living in poverty in rural and hard-to-reach areas.

OUR APPROACH

BRAC Microfinance Sierra Leone Limited (BMSLL) was launched in 2008, and has grown to become the largest microfinance institution in the country. Our mission is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas, to create self-employment opportunities, build financial resilience, and promote women's entrepreneurial spirit by empowering them economically.

Our core products include a group-based microloan provided exclusively to women, and small enterprise loans for entrepreneurs seeking to expand their businesses. We also provide loans for jobholders with low to moderate income who are often unserved by mainstream banks.

In all our endeavours, we adhere to the Universal Standards for Performance Management and the Client Protection Principles, placing clients' well-being at the center of everything we do to achieve our mission.

SNAPSHOT RESPONSE TO COVID-19

The COVID-19 pandemic has had a profound impact in the lives of our clients. BMSLL took a three-stage approach to respond to the crisis.

In the relief phase, we collaborated with BRAC's social development programmes to raise public awareness on COVID-19. All staff received training on COVID-19 prevention and response and protective wear to ensure their safety from the virus. We distributed communication materials and reached more than 100,000 people in different communities with awareness messages about COVID-19. We also established hand-washing stations at all the group meeting locations in the country. In addition, we conducted rapid assessments to understand the impact of the pandemic on clients' livelihoods and to plan our activities to support them better. We offered payment holidays to clients, suspended operations temporarily, and continued to pay staff salaries with the goal of being ready once in-country operations recommence.

In the recovery phase, the focus was on restoring people's livelihoods and economic situation that existed immediately prior to the onset of the crisis. We provided loan rescheduling options and refinanced existing clients to enhance their financial resilience. As at December 2020, 18 loans have been refinanced, totalling USD 7,660.

In the rebuild phase, the focus is on improving people's economic and social situations at an individual and community level by deepening financial inclusion through branch expansions and developing new products so that they are in a stronger position going forward.



MOVING FORWARD

Side by side with its mission and five year strategic plan, BMSLL will continue to strengthen ongoing initiatives relating to responsible inclusive finance; innovative, client-centric product development; digitisation of field operations; and expansion into new, underserved counties to serve more people living at the bottom of the pyramid.

We plan to pilot a new credit product for smallholder farmers, and the use of a Digital Field Application in selected branches in 2021. BMSLL also plans to further expand its branch network in rural areas to provide more people with access to finance.

SOCIAL PERFORMANCE RESULTS

We started to measure our social performance and desired client-level outcomes from 2019 using Lean DataSM methodology on five social outcome focus areas of BRAC International Microfinance: quality of life, financial resilience, women's economic empowerment, self-employment and livelihood opportunities, and household welfare. This regular annual exercise complements our Social Performance Management and Client Protection initiatives, and enables us to set targets and define strategies to reach more people living in poverty to achieve long-term impact at scale.

The second impact survey was completed in 2020 using Lean DataSM methodology in partnership with 60 Decibels. All respondents were women.

HIGHLIGHTS

FROM BMSLL'S 2020 IMPACT SURVEY

96% of clients said their quality of life had improved after engaging with BRAC

97% of clients earned more after engaging with BRAC

89% of clients could not find a good alternative to BRAC

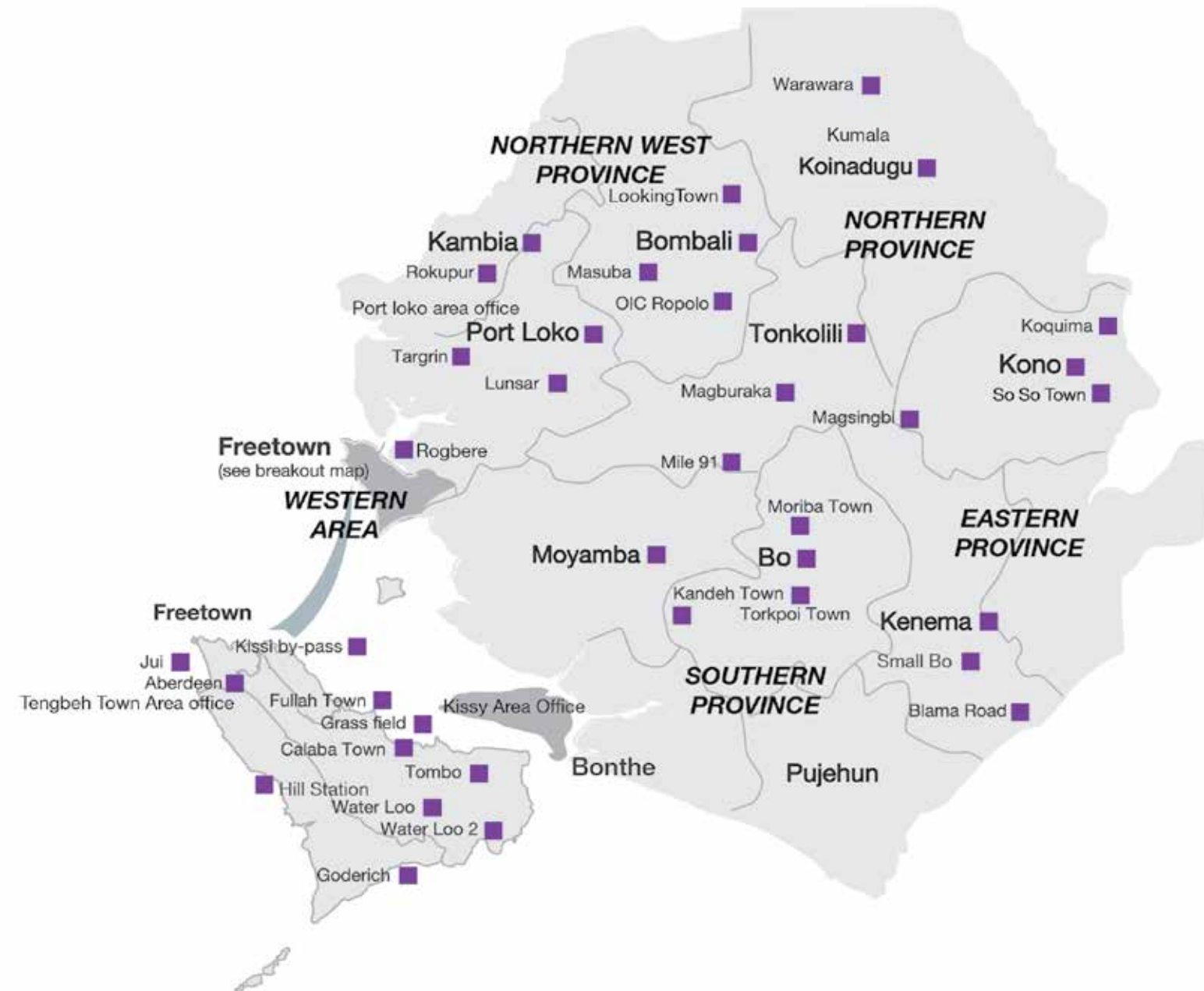
95% of clients saved more after engaging with BRAC

88% of clients planned their finances better after engaging with BRAC

92% of clients spent more on home use such as healthcare and meals after engaging with BRAC



BRANCH LOCATIONS





OPERATIONAL HIGHLIGHTS

46% outreach to people living in poverty

44% outreach to people living in rural areas

96% of clients are women

57,174 borrowers

38 branches

USD **16.69 million** disbursed in loans in 2020

*As at December 2020



DREAMS BEYOND BORDERS

Along the busy street of Bo, the “Friends and Fans Boutique” stands tall. Everyone in this area knows Marie Kanneh as the owner of a very popular boutique store, but they know very little about the real story of the woman who built it from the ground.

Marie started with a very small shop many years ago. But she quickly realised that there is demand for the product she is selling. However, she did not have enough capital to buy large quantities of stock.

Marie learned about BRAC’s Small Enterprise Loan product when she visited the nearby BRAC branch. She quickly realised that a starting capital will help her to gain traction in the business.

“When I took my first loan of SLL 7,000,000 from BRAC (USD 685) in 2017, my primary target was to buy more products and use some part of the money to rent a bigger space” said Marie.

Very soon, Marie’s sales doubled and profits soared. She also realised that the business had a lot of potential outside of the borders of Sierra Leone. Soon after, she started exporting her products to Guinea and Liberia, earning herself a name in the clothing industry.

“I want to be a very successful boutique owner, not just in Bo but also across Sierra Leone and beyond”, said Marie. “I am really proud that I was able to grow my small business into where it is today”, she added.

Marie is married and has two children. She hopes her children will finish their education and take formal jobs in the public or private sector.



I want to be a very successful boutique owner, not just in Bo but also across Sierra Leone and beyond

BRAC INTERNATIONAL PROGRAMMES



Our **Education programme** focuses on raising awareness on gender and child rights and developing a child-friendly learning atmosphere. Our programme complements the mainstream schooling system by supporting government primary and secondary schools to improve quality and strengthen capacity. We also provide training with support from local vocational and technical institutes.



Our **Early Childhood Development programme** is an investment towards breaking intergenerational cycles of poverty and facilitating economic growth. We provide early learning opportunities through our Play Labs to 3 to 6 year olds, with a low cost and play-based early learning model. Our Play Labs are safe play spaces, providing cost effective local learning materials to children in marginalised communities.



The **Agriculture, Food Security and Livelihood programme** focuses on four strategic directions - a) Strengthen pro-poor market systems, b) Make agriculture systems more resilient to climate change, c) Improve food and nutrition security, and d) Empower women and youth across the value chain.



Through our **Health programme** we partner with respective governments to reduce child mortality, improve maternal and child health, and combat diseases. We work at the community and facility level to strengthen the capacity of female community health volunteers, health workers, and doctors so that they can provide educational, preventive, and curative health services.



Through our **Youth Empowerment programme** we provide life-saving and life-transforming services to adolescent girls to prevent unintended pregnancies, improve their awareness on harmful practices, and empower them financially. We create safe spaces by establishing clubhouses for girls aged 10-21, especially those who are vulnerable, dropped out of school, and at the risk of early marriage and pregnancy.



The **Ultra-Poor Graduation** approach is a comprehensive, time-bound, integrated and sequenced set of interventions that aim to enable extreme and ultra-poor households to achieve key milestones towards sustainable livelihoods and socio-economic resilience, in order to progress along a pathway out of extreme poverty.



Through our **Emergency Preparedness and Response programme** we build local emergency preparedness and response capacities in communities, schools, and local governments. Using a participatory and inclusive approach, our interventions in urban, rural, and refugee settings prioritise the equitable participation of all groups, particularly women and youth, to ensure that they are able to mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises.



Through our **Microfinance programme**, we provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard to reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

BRAC ACROSS THE WORLD

UK
Initiated: 2006
An independent charity to raise profile and funds for BRAC globally

USA
Initiated: 2007
An independent charity to raise profile and funds for BRAC globally

SIERRA LEONE
Initiated: 2008
AFSL, YE, Health, EPRP, MF

RWANDA
Initiated: 2018
MF

LIBERIA
Initiated: 2008
AFSL, Education, YE, UPG, Health, MF

UGANDA
Initiated: 2006
AFSL, Education, ECD, YE, EPRP, Health, UPG-DI, MF

TANZANIA
Initiated: 2006
ECD, YE, WESOLVE, MF

SOUTH SUDAN
Initiated: 2007
AFSL

NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

AFGHANISTAN
Initiated: 2002
Education, Health, CCAP, CDP

BANGLADESH
Initiated: 1972
BEP, CC, CEP, GJD, HNPP, HRLS, IDP, MF, MG, SDP, SE, UDP, Uni, UPG, WASH, HCMP

PHILIPPINES
Initiated: 2012
Education, UPG

MYANMAR
Initiated: 2013
AFSL, EPRP, MF, FI

NEPAL
Initiated: 2015
YE, SDP, Health, AFSL

KENYA
Initiated: 2019
Africa Regional Office

AFSL: Agriculture, Food Security and Livelihood
BEP: BRAC Education Programme
CC: Climate Change
CCAP: Citizens' Charters Afghanistan Project
CEP: Community Empowerment Programme
CDP: Community Development Programme

ECD: Early Childhood Development
EPRP: Emergency Preparedness and Response Programme
FI: Financial Inclusion
GJD: Gender Justice and Diversity
HNPP: Health, Nutrition and Population Programme
HRLS: Human Resources and Legal Aid Services
HCMP: Humanitarian Crisis Management Programme

IDP: Integrated Development Programme
MG: Migration
MF: Microfinance
SE: Social Enterprises
SDP: Skills Development Programme
UDP: Urban Development Programme

Uni: University
WASH: Water, Sanitation and Hygiene
UPG: Ultra Poor Graduation
UPG-DI: Ultra Poor Graduation-Disability Inclusive
WE SOLVE: Women Entrepreneurship through Solar Value chain for Economic Development
YE: Youth Empowerment

FINANCIAL STATEMENTS

OPERATIONAL AND FINANCIAL HIGHLIGHTS OF BRAC MICROFINANCE (SL) LIMITED

NET INCOME

BRAC Microfinance (SL) Limited posted a profit before tax of USD 1,157,000 in 2020 against USD 2,186,000 in 2019. Interest income has decreased by about 10% due to decrease in loan disbursement by 3% due to the impact of lockdown period during the Covid-19 pandemic. Furthermore, BRAC Management decided to suspend interest on outstanding loans to clients during the lockdown period.

OPERATING EXPENSES

Total operating expenses for the year was USD 2,696,000 in 2020 compared to USD 2,221,000 in 2019, showing an increase of 21%.

PROVISIONS FOR IMPAIRMENT LOSSES

This year the amount charged for impairment on loans was USD 254,000 against USD 153,000 in 2019, indicating an increase of 66%. This is due to an increase in overdue loans. Portfolio at Risk (PAR>30) was 7.26% compared to 2.14% in 2019. Total reserve for impairment was USD 281,000 in 2020 compared to 175,000 in 2019, representing 3.04% of gross portfolio.

FINANCIAL POSITION

In 2020, BRAC Microfinance (SL) Limited's total assets increased by 9.44% to USD 10,411,000. The increase is mainly due to growth of loan portfolio which has increased by 5% to USD 9,051,000.

VALUE ADDED STATEMENTS

A value added statement provides detailed information of the total addition and distribution of value created by the organization. BRAC Microfinance (SL) Limited contributes positively to overall economic development by empowering the poor people (specially women) through micro-credit, employees through the payment of salaries and allowances and by assisting the local regulatory authorities through paying taxes and keeping in mind the organization's growth.

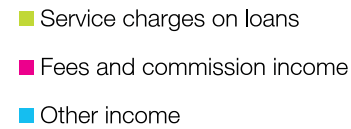
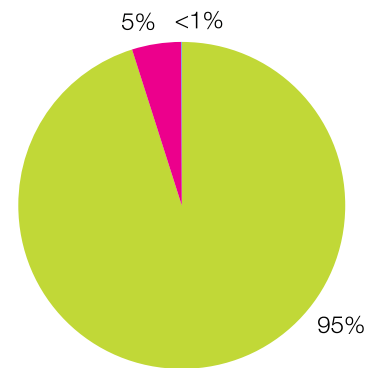
VALUE ADDED STATEMENTS

Figures in (USD)	2020		2019	
	Amount	%	Amount	%
Service Charges on loans	3,905,000	146%	4,342,000	124%
Fees and commission income	200,000	7%	216,000	6%
Other income	2,000	0%	2,000	0%
Other operating expense	(1,185,000)	-44%	(911,000)	-26%
Loan prov. (doubtful losses)	(254,000)	-10%	(153,000)	-4%
Total	2,668,000	100%	3,496,000	100%

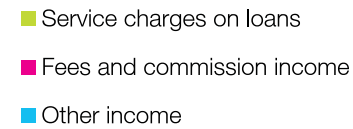
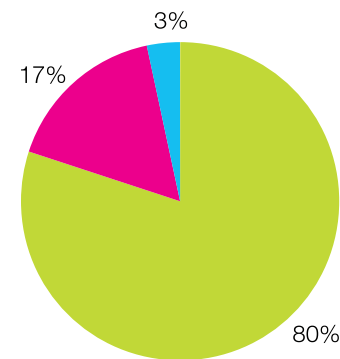
VALUE DISTRIBUTED STATEMENTS

Value Distributed (USD)	2020		2019	
	Amount	%	Amount	%
Employees				
Salary and Allowances	1,477,000	55%	1,346,000	39%
Local Authorities				
Income Tax	306,000	11%	656,000	19%
Depreciation	62,000	2%	55,000	2%
Growth				
Retained Income	823,000	31%	1,439,000	41%
Total	2,668,000	100%	3,496,000	100%

Value added 2020



Value distributed 2020



CONTRIBUTION TO GOVERNMENT EXCHEQUER

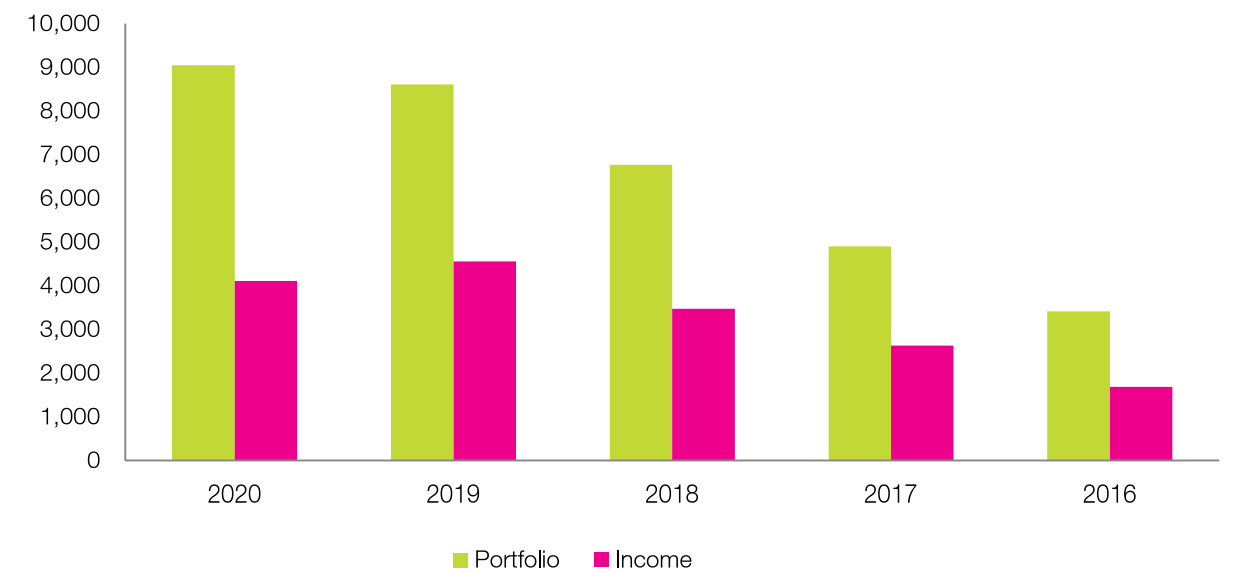
	2020	2019
	USD	USD
Income tax	306,000	656,000
Withholding Tax	129,880	127,766
Social Security and Pension	60,140	51,528
Total	496,020	835,294

FIVE YEAR PERFORMANCE REVIEW

	2020	2019	2018	2017	2016
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	4,107,000	4,560,000	3,472,554	2,629,465	1,688,407
Total Expenditure	3,284,000	3,121,000	2,667,223	1,964,960	1,563,060
Net profit/(loss) before tax	1,157,000	2,186,000	1,234,733	686,946	170,343
Financial Position					
Total assets	10,411,000	9,513,000	7,826,106	6,350,796	4,536,481
Net Equity	6,341,000	5,779,000	5,110,760	4,108,594	2,708,079
Loans to customers (net)	9,051,000	8,605,000	6,773,112	4,903,221	3,412,031
Cash at Bank	1,089,000	657,000	661,185	673,376	826,252
Returns and Ratio					
Return on Asset	11%	23%	16%	11%	4%
Cost to Income	80%	68%	77%	75%	93%
Operational Statistics					
Total Borrowers	57,174	56,874	45,870	37,615	35,377
PAR>30	7.26%	2.14%	2.27%	3.67%	5.77%

ANNUAL INCOME AND PORTFOLIO

in Thousands USD



Last five years' income vs. portfolio (in '000 USD)

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

BRAC MICROFINANCE (SL) LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

General Information

Directors	:	Dr. Muhammad Musa	-	Chairperson
		Mr Johannes Maria Antonius Eskes	-	Director
		Mr Shameran Abed	-	Director
		Mr. Syed Abdul Muntakim	-	Director
		Ms. Ruth Okowa	-	Director
		Mr. Rafiqul Islam	-	Chief Executive Officer (appointed on 8 September 2020)
		Mr. Silent Clement Gonondo	-	Managing Director (transferred to Rwanda on 24 August 2020)
Registered Office	:	174 Wilkinson Road Freetown Sierra Leone		
Bankers	:	Standard Chartered Bank Rokel Commercial Bank Sierra Leone Limited Ecobank SL Ltd First International Bank Ltd Sierra Leone Com. Bank Ltd. Union Trust Bank Ltd. Yoni Community Bank Zenith Bank (SL) Ltd.		
Auditor	:	Baker Tilly SL Chartered Accountants Baker Tilly House 37 Siaka Stevens Street Freetown.		

Report of the Directors

The Directors have pleasure in submitting their report and financial statements on the affairs of the Company for the year ended 31 December 2020.

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 2020 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the report of the Directors in accordance with note 3 of the financial statements, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Capital adequacy

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

Results for the year

The Company made a profit of **SLL 8.09** billion for the year ended 31 December 2020 (2019: profit of SLL13.24 billion).

Directors and their interest

The names of the Directors are detailed on page 31. None of the Directors had any interest in the share capital of the Company and no Director has or had during the period, a material interest in any contract or arrangement of significance to which the Company was or is a party.

Property and equipment

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

Employment of disabled people

BRAC Microfinance (SL) Limited is an equal opportunity employer and adheres strictly to the principle of meritocracy and fairness in all making. Discrimination of any individual employee or group of employees on the basis of sex, nationality or religion by another employee or group of employee, if proven, will be regarded as a sanctionable offence. There were no disabled people in employment of the Company as at 31 December 2020.

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.

Report of the Directors *(continued)*

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:

Dr. Muhammad Musa Chairperson
Mr Johannes Maria Antonius Eskes
Mr Shameran Abed
Mr. Syed Abdul Muntakim
Ms. Ruth Okowa
Mr. Rafiqul Islam Chief Executive Officer (appointed on 8 September 2020)
Mr. Silent Clement Gonondo (transferred to Rwanda on 24 August 2020)

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 24th March 2021.



Syed Abdul Muntakim, ACMA CGMA
Director Finance
Stichting BRAC International



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



Baker Tilly SL
Baker Tilly House
37 Siaka Stevens Street
P.O. Box 100
Freetown
Sierra Leone
Telephone +(232) 30-444-100

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 2020, 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 41 to 65.

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 2020, 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.
- 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.

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

Auditors' responsibility for the financial statements (continued)

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 Stichting BRAC International and should not be distributed to or used by parties other than the management of BRAC Microfinance (SL) Limited and Stichting BRAC International.

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

Chartered Accountants

Freetown

Date: 24th March 2021

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of Financial Position

as at 31 December 2020
 In thousands of Leones / USD

	Notes	2020	SLL 2019	2020	USD 2019
Asset					
Cash and cash equivalents	12	11,032,381	6,386,536	1,089	657
Loans and advances to customers	13	91,721,455	83,611,459	9,051	8,605
Other assets	14	497,507	629,955	48	64
Intangible assets	15	68,241	185,226	7	19
Property and equipment	16	816,876	730,924	81	75
Right of use asset	17	33,228	179,820	4	18
Deferred tax asset	11(c)	1,334,160	735,599	131	75
Total assets		105,503,848	92,459,519	10,411	9,513
Liabilities					
Loan security fund	18	16,129,637	14,435,598	1,592	1,486
Related party payables	19	11,814,547	11,466,826	1,166	1,180
Borrowings	20	4,929,608	2,568,829	486	264
Lease liability	21	119,191	101,364	12	10
Other liabilities	22	4,182,455	2,653,988	413	273
Donor funds	23	1,969,000	1,969,000	194	203
Current tax liability	11(b)	2,101,294	3,094,347	207	318
Total liabilities		41,245,732	36,289,952	4,070	3,734
Capital fund					
Share capital	24 (a)	12,244,890	12,244,890	3,061	3,061
Share premium	24 (b)	28,382,107	8,058,000	3,656	1,000
Retained earnings	25	23,631,119	15,542,570	2,505	1,682
Donated equity	26	-	20,324,107	-	2,656
Translation reserve	27	-	-	(2,881)	(2,620)
Total capital fund		64,258,116	56,169,567	6,341	5,779
Total liabilities and capital fund		105,503,848	92,459,519	10,411	9,513

These financial statements were approved by the Board of Directors on 24th March 2021

Syed Abdul Muntakim, ACMA CGMA
 Director Finance
 Stichting BRAC International

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

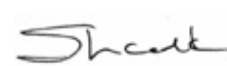
Prince Momoh
 Head of Finance
 BRAC Microfinance (SL) Limited

The notes on pages 41 to 65 are an integral part of these financial statements

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
Statement of Comprehensive Income
for the year ended 31 December 2020
In thousands of Leones / USD

	Notes	2020	SLL 2019	2020	USD 2019
Service charge on loans	5	38,383,945	39,912,672	3,905	4,342
Net income from service charge		38,383,945	39,912,672	3,905	4,342
Membership and other fees	6	1,966,727	1,986,086	200	216
Other income	7	16,342	15,133	2	2
Total operating income		40,367,014	41,913,891	4,107	4,560
Net impairment loss on loans and advances to customers	8	(2,499,226)	(1,405,889)	(254)	(153)
Operating income after impairment charges		37,867,788	40,508,002	3,853	4,407
Staff costs	9	(14,516,133)	(12,374,031)	(1,477)	(1,346)
Other operating expenses	10	(11,379,495)	(7,535,167)	(1,157)	(820)
	15			(43)	(34)
Depreciation & amortization	& 16	(423,866)	(316,947)	(17)	(20)
Depreciation on right of use asset	17	(162,469)	(179,816)	(2)	(1)
Interest on lease liability	21	(17,950)	(8,317)		
Total operating expenditure		(26,499,913)	(20,414,278)	(2,696)	(2,221)
Profit before income tax		11,367,875	20,093,724	1,157	2,186
Income tax credit/ (expense)	11(a)	(3,006,422)	(6,024,089)	(306)	(656)
Net profit for the year		8,361,453	14,069,635	851	1,530
Other comprehensive income:					
Unrealized exchange loss		(272,904)	(834,345)	(28)	(91)
Total other comprehensive income		(272,904)	(834,345)	(28)	(91)
Total comprehensive profit for the year		8,088,549	13,235,290	823	1,439

These financial statements were approved by the Board of Directors on 24th March 2021



 Syed Abdul Muntakim, ACMA CGMA
 Director Finance
 Stichting BRAC International



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



 Prince Momoh
 Head of Finance
 BRAC Microfinance (SL) Limited

The notes on pages 41 to 65 are an integral part of these financial statements
BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
Statement of Changes in Equity
for the year ended 31 December 2020

	Share Capital SLL	Share premium SLL	Retained Earnings SLL	Donated Equity SLL	Total SLL	Total USD	Translation reserve USD	Total Capital Fund USD
<i>In thousands of Leones / USD</i>								
At 1 January 2020	12,244,890	8,058,000	15,542,570	20,324,107	56,169,567	8,399	(2,620)	5,779
Donations received during the year	-	-	-	-	-	-	-	-
Share premium	-	20,324,107	-	(20,324,107)	-	-	-	-
Profit for the year	-	-	8,361,453	-	8,361,453	851	-	851
Unrealized exchange (loss)	-	-	(272,904)	-	(272,904)	(28)	-	(28)
Translation adjustment	-	-	-	-	-	-	(261)	(261)
As at 31 December 2020	12,244,890	28,382,107	23,631,119	-	64,258,116	9,222	(2,881)	6,341
At 1 January 2019	12,244,890	6,345,000	2,302,922	20,324,107	41,216,919	6,760	(1,882)	4,878
Adjustment on initial application of IFRS 16	-	-	4,358	-	4,358	-	-	-
Donations received during the year	-	-	-	-	-	-	-	-
Share premium	-	1,713,000	-	-	1,713,000	200	-	200
Profit for the year	-	-	14,069,635	-	14,069,635	1,530	-	1,530
Unrealized exchange (loss)	-	-	(834,345)	-	(834,345)	(91)	-	(91)
Translation adjustment :	-	-	-	-	-	-	(738)	(738)
As at 31 December 2019	12,244,890	8,058,000	15,542,570	20,324,107	56,169,567	8,399	(2,620)	5,779

The notes on pages 41 to 65 are an integral part of these financial statements

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of Cash Flows

For the year ended 31 December 2020

In thousands of Leones / USD

	Notes	SLL		USD	
		2020	2019	2020	2019
Cash flow from operating activities	28	11,134,869	21,689,103	1,135	2,185
Loan disbursements		(167,287,767)	(170,688,650)	(17,018)	(17,567)
Loan collection		157,134,808	143,629,016	15,985	14,782
Net cash flow from operating activities		981,910	(5,370,531)	102	(600)
Cash flow from investing activities					
Acquisition of property and equipment	16	(392,833)	(226,206)	(39)	(25)
Acquisition of right of use assets	17	(15,877)	(187,942)	(2)	(20)
Recognition of right of asset on application of IFRS 16	17	-	(171,694)	-	(18)
Net cash used in investing Activities		(408,710)	(585,842)	(41)	(63)
Cash flow from financing activities					
Changes in borrowing		2,360,779	550,821	240	25
Changes in lease liability	21	17,827	101,364	2	10
Changes in loan security fund		1,694,039	4,390,708	172	297
Changes in donor fund		-	-	-	-
Increase in share premium		20,324,107	1,713,000	2,656	200
Changes in donated equity		(20,324,107)	-	(2,656)	-
Net cash from financing activities		4,072,645	6,755,893	414	532
Net (decrease)/increase in cash and cash equivalents		4,645,845	799,520	475	(131)
Cash and cash equivalents at 1 January		6,386,536	5,587,016	657	662
Translation adjustment		-	-	(43)	126
Cash and cash equivalents as at 31 December		11,032,381	6,386,536	1,089	657

The notes on pages 41 to 65 are an integral part of these financial statements

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Fundamental and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes 13.2: 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.

Notes to the financial statements (continued)

(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.

(iii) Depreciation

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

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

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

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

The impact of the changes is shown below:

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

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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(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%

(i) 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.

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 cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(i) IFRS 9 Financial Instruments (continued)

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

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

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

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

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

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

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

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.
- The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(i) IFRS 9 Financial Instruments (continued)

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Presentation of impairment

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

Impairment losses related to loans and advances to customers are presented in the statement of profit or loss under "Net movement in impairment losses on loans and advances". For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

(j) IFRS 15 Revenue from contracts with Customers

IFRS 15, revenue from contracts with customers, which replaced IAS 18, revenue and IAS 11, construction contracts, has been applied effective from 1 January 2018. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Company to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognize revenue as each performance obligation is satisfied.

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(k) IFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

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

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

Notes to the financial statements *(continued)*

3. Significant accounting policies *(continued)*

(k) IFRS 16 Leases *(continued)*

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

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

(l) Provisions

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

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

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

(m) Loan security deposit

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

(n) Inventories

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

Notes to the financial statements *(continued)*

3. Significant accounting policies *(continued)*

(o) Employee benefit

(i) Pension obligations

The Company's operates a defined contribution scheme. A defined contribution plan is a pension plan under which the Company's pays fixed contributions into a separate entity. The scheme is generally funded through payments to the National Social Security and Insurance Trust on a mandatory basis. The Company's has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Termination benefits

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

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

(iii) Short-term benefits

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

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

(iv) Medical benefits

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

(n) Share capital

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

(o) 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.

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(o) Income tax expense (continued)

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.

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.

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
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Notes to the financial statements (continued)

5. Service charge on loans

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Group loans (Microfinance)	20,340,391	22,307,309	2,069	2,427
Small Enterprises program	16,910,492	17,604,560	1,720	1,915
ELA	-	577	-	-
Comic Relief	-	226	-	-
Without Collateral Loan	543,513	-	55	-
Job Holder Loan	589,549	-	61	-
	<u>38,383,945</u>	<u>39,912,672</u>	<u>3,905</u>	<u>4,342</u>
	=====	=====	=====	=====

6. Membership and other fees

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Loan appraisal fee	1,616,951	1,706,887	164	2019
Membership fee	204,570	233,496	21	186
Loan application fee	40,992	45,703	4	25
Sales of passbook	104,214	-	11	5
	<u>1,966,727</u>	<u>1,986,086</u>	<u>200</u>	<u>216</u>
	=====	=====	=====	=====

7. Other Income

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Gain due to early repayment	2,798	4,910	-	1
Other income	13,544	10,223	2	1
	<u>16,342</u>	<u>15,133</u>	<u>2</u>	<u>2</u>
	=====	=====	=====	=====

8. Impairment losses on loans

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
General provision	2,499,226	1,405,889	254	153
	<u>2,499,226</u>	<u>1,405,889</u>	<u>254</u>	<u>153</u>
	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
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Notes to the financial statements (continued)

9. Staff costs	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Salaries and benefits	12,574,117	10,639,593	1,279	1,157
Bonus cost	724,956	624,656	74	68
Severance allowances cost	590,535	618,120	60	67
NASSIT Cost	403,360	335,170	41	36
Insurance costs	43,541	36,817	4	4
Medical expenses	179,624	119,675	19	14
	<u>14,516,133</u>	<u>12,374,031</u>	<u>1,477</u>	<u>1,346</u>
	=====	=====	=====	=====
10. Other operating expenses	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Occupancy expenses (Note-11.1)	1,075,123	774,963	109	84
Staff training and development	134,021	185,021	14	20
Travel and transportation	2,579,064	2,280,766	262	248
General expenses	655,347	579,051	67	63
Printing and office stationery	587,941	404,349	60	44
Legal and professional fees	1,573,328	148,305	160	16
Audit fees	110,918	115,255	11	13
Bank Charges	723,577	671,707	74	73
Internet expenses	425,353	364,777	43	40
Insurance claim	127,750	95,900	13	10
Software cost (ERP)	516,951	636,997	53	69
Accounts receivable write off	36,435	-	4	-
HO logistics and management expenses	2,603,980	1,278,076	265	140
COVID-19 expenses	229,707	-	22	-
	<u>11,379,495</u>	<u>7,535,167</u>	<u>1,157</u>	<u>820</u>
	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
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Notes to the financial statements (continued)

10.1 Occupancy expenses	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Rent	813,095	545,083	82	59
Utilities	262,028	229,880	27	25
	<u>1,075,123</u>	<u>774,963</u>	<u>109</u>	<u>84</u>
	=====	=====	=====	=====
11. Taxation	SLL		USD	
11(a) Tax expense	2020	2019	2020	2019
Recognised in the income statement				
<i>In thousands of Leones / USD</i>				
Income tax expense	3,604,983	5,112,258	367	557
Deferred tax(credit)/expense	(598,561)	911,831	(61)	99
	<u>3,006,422</u>	<u>6,024,089</u>	<u>306</u>	<u>656</u>
	=====	=====	=====	=====
11(b) Income tax account	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Opening balance	(3,094,347)	(504,939)	(318)	(59)
Corporation tax charge	(3,604,983)	(5,112,258)	(367)	(557)
Payment during the year	4,598,036	2,522,850	468	274
Translation difference	-	-	10	24
	<u>(2,101,294)</u>	<u>(3,094,347)</u>	<u>(207)</u>	<u>(318)</u>
	=====	=====	=====	=====

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Notes to the financial statements (continued)

11(b) Income tax account (continued)

Reconciliation of effective tax rate

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Profit before income tax	11,367,875	20,093,724	1,157	2,186
Income tax on profit before tax	2,841,969	6,028,117	289	656
Tax impact of permanent difference:				
Tax adjustment- due to change in tax rate	167,554	(2,438)	17	-
Tax incentives	(3,101)	(1,590)	-	-
	3,006,422	6,024,089	306	656
	=====	=====	=====	=====

11(c) Deferred tax asset and liabilities

Recognised deferred tax asset and liabilities

	2020			2019		
	Asset	Liability	Net	Asset	Liability	Net
<i>In thousands of Leones</i>						
Property and equipment	-	(85,416)	(85,416)	-	(68,745)	(68,745)
Impairment allowance	(971,932)	-	(971,932)	(416,551)	-	(416,551)
Tax loss Carried /forward	-	-	-	-	-	-
Unrealised exchange Loss	(276,812)	-	(276,812)	(250,303)	-	(250,303)
Deferred tax asset not recognised	-	-	-	-	-	-
	(1,248,744)	(85,416)	(1,334,160)	(666,854)	(68,745)	(735,599)
	=====	=====	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

11. Taxation (continued)

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

Recognised deferred tax asset and liabilities

Movement in temporary differences during the year - 2020

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

Movement in temporary differences during the year – 2019

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
<i>In thousands of Leones</i>				
Property and equipment	8,891	(77,637)	-	(68,746)
Impairment allowance	5,216	(421,765)	-	(416,549)
Tax loss carried forward	(1,661,537)	1,661,537	-	-
Unrealised exchange loss	-	(250,304)	-	(250,304)
Deferred tax asset not recognised	-	-	-	-
	(1,647,430)	911,831	-	(735,599)
	=====	=====	=====	=====

12. Cash and cash equivalents

In thousands of Leones / USD

		SLL		USD	
		2020	2019	2020	2019
Cash at bank	13.1	10,387,337	6,020,623	1,025	620
Cash in hand		645,044	365,913	64	37
		11,032,381	6,386,536	1,089	657
		=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

12. Cash and cash equivalents (continued)

12.1 Cash at bank

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
First International Bank (SI) Ltd	7,180,255	5,384,118	709	554
Rokel Commercial Bank SI Ltd	169,956	70,662	17	7
Union Trust Bank LTD.	581,957	294,237	57	30
Yoni Community Bank	279,700	112,955	28	12
Zenith Bank (SL) Ltd	146,689	65,078	14	7
Standard Chartered Bank (SL) Ltd USD	1,682,960	-	166	-
Standard Chartered Bank (SL) Ltd	256,345	36,955	25	4
Marampa Masimera Community Bank	89,475	56,618	9	6
	<u>10,387,337</u>	<u>6,020,623</u>	<u>1,025</u>	<u>620</u>
	=====	=====	=====	=====

13. Loans and advances to customers

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Opening balance	83,435,885	57,378,948	8,587	6,790
Loans disbursed	167,287,767	170,688,650	17,018	17,567
Loans repayments (P)	(157,134,808)	(143,629,016)	(15,985)	(14,782)
Translation difference	-	-	(385)	(885)
	<u>93,588,844</u>	<u>84,438,582</u>	<u>9,235</u>	<u>8,690</u>
Principal -written off	(1,221,877)	(1,002,697)	(121)	(103)
	<u>92,366,967</u>	<u>83,435,885</u>	<u>9,114</u>	<u>8,587</u>
Gross loans to customers	92,366,967	83,435,885	9,114	8,587
Interest receivable	2,329,466	2,002,023	230	206
Interest receivable: written off	(124,260)	(128,820)	(12)	(13)
Impairment loss on loans advance	(2,850,718)	(1,697,629)	(281)	(175)
	<u>91,721,455</u>	<u>83,611,459</u>	<u>9,051</u>	<u>8,605</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.

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

13. Loan and advance to customers (continued)

13.1 Movement on the loan account

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Group loans	43,049,665	40,573,755	4,248	4,176
Small enterprises program	42,348,054	43,864,827	4,179	4,514
Without Collateral Loan	4,120,805	-	407	-
Job Holder Loan	4,070,320	-	401	-
Loan written off (P)	(1,221,877)	(1,002,697)	(121)	(103)
Interest receivable	2,329,466	2,002,023	230	206
Interest receivable written off	(124,260)	(128,820)	(12)	(13)
Impairment loss on loans and advances	(2,850,718)	(1,697,629)	(281)	(175)
	<u>91,721,455</u>	<u>83,611,459</u>	<u>9,051</u>	<u>8,605</u>
	=====	=====	=====	=====

13.2 Movement on the impairment on loans

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Opening balance	1,697,629	1,423,257	175	168
Charge for the year	2,499,226	1,405,889	254	153
Principal written off	(1,221,877)	(1,002,697)	(121)	(103)
Interest receivable written off	(124,260)	(128,820)	(12)	(13)
Translation difference	-	-	(15)	(30)
	<u>2,850,718</u>	<u>1,697,629</u>	<u>281</u>	<u>175</u>
	=====	=====	=====	=====

The Company has adopted IFRS 9 financial instruments. The impairment on loans was computed in accordance with IFRS 9. See 3(i) for details.

14. Other assets

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Advance to third party	321,453	434,336	31	43
Others receivables	84,017	91,516	8	10
Inventory - Passbook	92,037	104,103	9	11
	<u>497,507</u>	<u>629,955</u>	<u>48</u>	<u>64</u>
	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

15. Intangible assets	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Cost software development and purchase (ERP)				
At 1 January	467,940	467,940	48	55
Additions during the year	-	-	-	(7)
Translation difference	-	-	(2)	-
	<u>467,940</u>	<u>467,940</u>	<u>46</u>	<u>48</u>
	=====	=====	=====	=====
Accumulated amortisation :				
At 1 January	282,714	165,729	29	20
Amortisation (25%) charge for the year	116,985	116,985	12	12
Translation difference	-	-	(2)	(3)
	<u>399,699</u>	<u>282,714</u>	<u>39</u>	<u>29</u>
	=====	=====	=====	=====
Net book value	68,241	185,226	7	19
	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

16. Property and equipment	Motor Vehicles	Furniture	Equipment	Total	Total
	SLL	SLL	SLL	SLL	USD
<i>In thousands of Leones / USD</i>					
Cost					
At 1 January 2020	416,791	615,322	583,031	1,615,144	166
Additions	-	144,750	248,083	392,833	39
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	(7)
	<u>416,791</u>	<u>760,072</u>	<u>831,114</u>	<u>2,007,977</u>	<u>198</u>
	=====	=====	=====	=====	=====
At 31 December 2020	416,791	760,072	831,114	2,007,977	198
	=====	=====	=====	=====	=====
At 1 January 2019	416,791	495,150	476,997	1,388,938	163
Additions	-	120,172	106,034	226,206	25
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	(22)
	<u>416,791</u>	<u>615,322</u>	<u>583,031</u>	<u>1,615,144</u>	<u>166</u>
	=====	=====	=====	=====	=====
At 31 December 2019	416,791	615,322	583,031	1,615,144	166
	=====	=====	=====	=====	=====
Accumulated depreciation					
At 1 January 2020	204,313	335,367	344,540	884,220	91
Charge for the year	74,992	63,714	168,175	306,881	31
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	(5)
	<u>279,305</u>	<u>399,081</u>	<u>512,715</u>	<u>1,191,101</u>	<u>117</u>
	=====	=====	=====	=====	=====
At 1 January 2019	129,321	280,414	274,523	684,258	81
Charge for the year	74,992	54,953	70,017	199,962	22
Disposals	-	-	-	-	-
Translation difference	-	-	-	-	(12)
	<u>204,313</u>	<u>335,367</u>	<u>344,540</u>	<u>884,220</u>	<u>91</u>
	=====	=====	=====	=====	=====
At 31 December 2019	204,313	335,367	344,540	884,220	91
	=====	=====	=====	=====	=====
Net book value:					
At 31 December 2020	137,486	360,991	318,399	816,876	81
	=====	=====	=====	=====	=====
At 31 December 2019	212,478	279,955	238,491	730,924	75
	=====	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

17. Right of use asset	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Cost				
At 1 January	359,636	-	38	-
Recognition of right of asset on application of IFRS 16	-	171,694.00	-	18.00
Additions	15,877	187,942	2	20
Translation difference	-	-	(3)	-
	<u>375,513</u>	<u>359,636</u>	<u>37</u>	<u>38</u>
Accumulated depreciation				
At 1 January	179,816	-	20	-
Recognition of right of asset on application of IFRS 16	-	-	-	-
Depreciation charge for the year	162,469	179,816	17	20
Translation difference	-	-	(4)	-
	<u>342,285</u>	<u>179,816</u>	<u>33</u>	<u>20</u>
Net book value	<u>33,228</u>	<u>179,820</u>	<u>4</u>	<u>18</u>

18. Loan security fund	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Opening balance	14,435,598	10,044,890	1,486	1,189
Received during the year	7,962,433	9,083,640	786	935
Paid off /adjusted during the year	(6,268,394)	(4,692,932)	(619)	(483)
Translation difference	-	-	(61)	(155)
	<u>16,129,637</u>	<u>14,435,598</u>	<u>1,592</u>	<u>1,486</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.

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

19. Related party payables	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Payable to Stitching BRAC International	-	1,416,298	-	146
Payable to BRAC Bangladesh	5,822,379	5,515,984	575	568
Payable to BRAC International Holdings B.V	5,695,181	3,201,895	562	330
Payable to BRAC Sierra Leone	171,480	706,034	17	73
Payable to BRAC IT Services Limited	-	626,615	-	63
Payable to BRAC Liberia Micro-finance Company Limited	125,507	-	12	-
	<u>11,814,547</u>	<u>11,466,826</u>	<u>1,166</u>	<u>1,180</u>

20. Borrowings	SLL		USD	
	2020	2019	2020	2019
20.1 Borrowings from KIVA (at 0% interest)				
<i>In thousands of Leones / USD</i>				
Opening balance	781,829	2,018,008	80	239
Received during the year	706,771	373,289	70	38
Paid during the year	(297,206)	(1,609,468)	(29)	(166)
Foreign exchange adjustment	-	-	(3)	(31)
	<u>1,191,394</u>	<u>781,829</u>	<u>118</u>	<u>80</u>

BRAC Microfinance (SL) Limited receives loan from KIVA @ 0%. These are loans received from individual lenders through KIVA website only for both group and individual lending facilities. These short-term loans are to be repaid as per the collection status from borrowers which is normally within one year.

20.2 Borrowings from Whole Planet Foundation (Interest rate - 0%)	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Opening balance	1,787,000	-	184	-
Received during the year	1,951,214	1,787,000	200	200
Paid during the year	-	-	-	-
Foreign exchange adjustment	-	-	(16)	(16)
	<u>3,738,214</u>	<u>1,787,000</u>	<u>368</u>	<u>184</u>
Total borrowings	<u>4,929,608</u>	<u>2,568,829</u>	<u>486</u>	<u>264</u>

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

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

During the year the Company also received loan from Whole Planet Foundation at 0% rate with repayment period of three years. The loan is meant for facilitating group based lend-ing of the organisation.

20.3 Loan Classification	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones</i>				
Loans repayable in one year:				
Whole Planet Foundation	3,738,214	1,787,000	368	184
Loan repayable in more than one year:				
KIVA	1,191,394	781,829	118	80
Total borrowings	4,929,608	2,568,829	486	264
	=====	=====	=====	=====

21. Lease liability

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Opening balance	101,364	-	10	-
Recognition of right of asset on application of IFRS 16	-	120,922	-	14
Additions	15,877	187,942	2	20
Adjustment for payments up to 31 December	(16,000)	(215,817)	(2)	(22)
Interest on lease liability	17,950	8,317	2	1
Translation difference	-	-	-	(3)
	119,191	101,364	12	10
	=====	=====	=====	=====

22. Other liabilities

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Accrued expenses	494,288	10,306	49	1
Provision for audit fees	110,918	110,918	11	11
Salary provision	11,327	335,649	1	35
Self-insurance fund	96,012	51,438	9	5
Bonus provision	-	-	-	-
Severance allowance provision	2,357,846	1,935,535	233	199
Nassit provision	54,429	39,411	5	4
Withholdings tax	569,608	170,731	56	18
Payable to BRAC IT Services Limited	488,027	-	49	-
	4,182,455	2,653,988	413	273
	=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
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Notes to the financial statements (continued)

23. Donor funds

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Donor funds investment in :				
Loan to group members	1,969,000	1,969,000	194	203
	1,969,000	1,969,000	194	203
	=====	=====	=====	=====

23.3 Donor funds investment in loans to group members

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
Opening balance	1,969,000	1,969,000	203	233
Investment in loans to group members during the year	-	-	-	-
Transferred to Donated Equity	-	-	-	-
Translation difference	-	-	(9)	(30)
	1,969,000	1,969,000	194	203
	=====	=====	=====	=====

24. Capital

24(a) Share capital

Name and percentage of holdings

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
BRAC International Holdings B.V (100%)	12,244,890	12,244,890	3,061	3,061
	12,244,890	12,244,890	3,061	3,061
	=====	=====	=====	=====

24(b) Share premium

In thousands of Leones / USD

	SLL		USD	
	2020	2019	2020	2019
BRAC International Holdings B.V				
Opening balance 1 January	8,058,000	6,345,000	1,000	800
Payment received during the year	-	1,713,000	-	200
Transferred from donated equity	20,324,107	-	2,656	-
	28,382,107	8,058,000	3,656	1,000
	=====	=====	=====	=====

During 2019 and 2018, the board of BRAC International holdings B.V. approved additional investment as share premium for the Company's operation.

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

25. Retained earnings	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Opening balance	15,542,570	2,302,922	1,682	243
Impact of IFRS 16 on leases	-	4,358	-	-
Profit for the year	8,088,549	13,235,290	823	1,439
	<u>23,631,119</u>	<u>15,542,570</u>	<u>2,505</u>	<u>1,682</u>
	=====	=====	=====	=====
26. Donated equity	SLL		USD	
<i>In thousands of Leones / USD</i>	2020	2019	2020	2019
Opening balance	20,324,107	20,324,107	2,656	2,656
Received during the year	-	-	-	-
Transferred to Share Premium	(20,324,107)	-	(2,656)	-
	<u>-</u>	<u>20,324,107</u>	<u>-</u>	<u>2,656</u>
	=====	=====	=====	=====
27. Other reserves	SLL		USD	
<i>In thousands of Leones / USD</i>	2020	2019	2020	2019
Opening balance	-	-	(2,620)	(1,882)
Translation difference during the year	-	-	(261)	(738)
	<u>-</u>	<u>-</u>	<u>(2,881)</u>	<u>(2,620)</u>
	=====	=====	=====	=====

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

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Notes to the financial statements (continued)

28. Cash generated from operation	SLL		USD	
	2020	2019	2020	2019
<i>In thousands of Leones / USD</i>				
Profit for the year	8,088,549	13,235,290	823	1,439
Depreciation on property and equipment	306,881	199,962	31	22
Amortisation	116,985	116,985	12	12
Depreciation on right of use asset	162,469	179,816	17	20
Loan loss provision	2,499,226	1,405,889	254	153
Adjustment to retained earnings	-	4,358	-	-
Tax credit / (expense)	3,006,422	6,024,089	306	656
	<u>14,180,532</u>	<u>21,166,389</u>	<u>1,443</u>	<u>2,302</u>
	=====	=====	=====	=====
Cash flow before changes in working capital:	14,180,532	21,166,389	1,443	2,302
Income tax paid	(4,598,036)	(2,522,850)	(468)	(274)
Changes in working capital:				
Receivables and other current as-sets	132,448	26,505	16	(13)
Interest receivables	(456,263)	(724,917)	(46)	(55)
Current Liabilities	1,528,467	632,324	155	35
Related party payables	347,721	3,111,652	35	190
	<u>11,134,869</u>	<u>21,689,103</u>	<u>1,135</u>	<u>2,185</u>
	=====	=====	=====	=====
Exchange rate used for the period:		2020		2019
Average rate: 1USD = SLL		9,830.15		9,192.72
Closing rate: 1USD = SLL		10,133.36		9,716.71

29. Contingencies

There were no contingent assets or liabilities at 31 December 2020 (2019: Nil).

30. Capital commitments

There were no capital commitments as at 31 December 2020 (2019: 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.

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Disclaimer: Some names and identifying details in the case stories may have been changed to protect the privacy of the individuals.