



ANNUAL REPORT 2017

BRAC IN SIERRA LEONE

2017
ANNUAL
REPORT



If you were to describe this world, which one of the following would you pick?

It is home to magic, art, beauty, and tens of thousands of years of human talent.
Or would you say, even though it may be true, that our world is where we live,
but it is a place that doesn't work for everyone? Our world is our playground,
a platform for the creativity of all seven billion of us.

Sometimes it's hard to believe that a world that works for all of us can
be possible. But the opportunities are all around us.

While we all hope for a better future for our world, many of us
are building it. If you are a builder, we are betting on you.

The changemaker

The activist

The hero

The mentor

45 years ago, we started building a world we all want to live in.
We started in Bangladesh.
We listened and learnt, failed and got up again.
We never stopped trying.
And we never will.

We trust in people, and we take on the impossible,
every day. Changing systems of inequity.
Turning potential into skill.
Ready to go to the end of every last mile,
where there are no other signs.

It takes us all to build a world that
works for us all.

We listen, pilot, perfect and scale.
Our DNA is to build.

As the sun rose this morning,
hundreds of thousands of builders rose with it.

Teachers across eight countries opened the
colourful doors of the world's biggest secular
private education system.
65,000 artisans picked up their needles and
started weaving traditional art into
beautiful clothing.

Credit officers in one of the world's largest
microfinance institutions sat down
with women in the remotest
corners of seven countries.

Whoever you are, wherever you are, doing good is everyone's business.
We have never faced bigger challenges but we have never been more ready.
Join the world's biggest family.

Small is beautiful, scale is necessary.

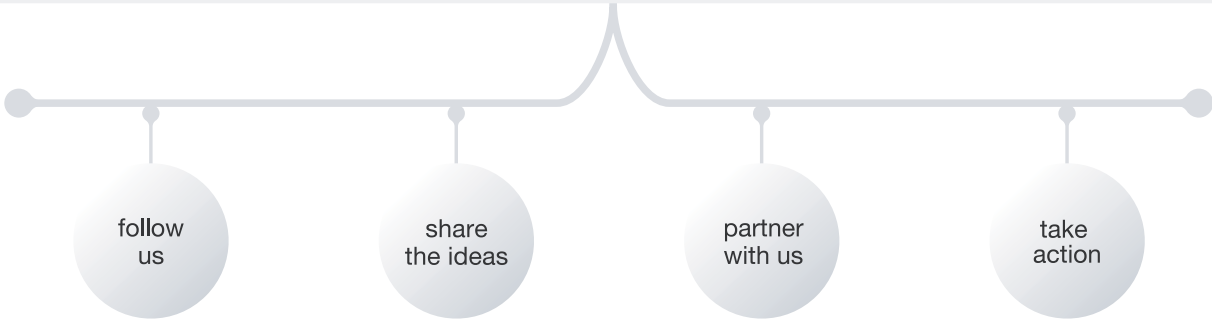
Here at BRAC, we are many things:



and we bring together many different people:



inspired by a single vision.
Building a world that works for all of us takes all of us.
Get onboard:

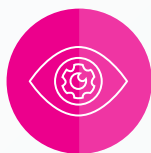


Join the world's biggest family.



BUILDING A WORLD THAT WORKS FOR ALL OF US

We act as a catalyst, creating opportunities for people living in poverty to realise their potential. We specialise in piloting, perfecting and scaling innovations to impact the lives of millions. We were born in Bangladesh, are almost completely self-sustainable through our own network of social enterprises and investments, and operate in 11 countries across Asia and Africa.



VISION, MISSION AND VALUES

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

Empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programmes that enable women and men to realise their potential.

Integrity Innovation Inclusiveness Effectiveness



SOCIAL DEVELOPMENT

Eliminating extreme poverty, Expanding financial choices, Employable skills for decent work, Climate change and emergencies, Gender equality, Universal healthcare, Pro-poor urban development, Investing in the next generation.

Country offices: Afghanistan, Bangladesh, Liberia, Myanmar, Nepal, Pakistan, Philippines, Sierra Leone, South Sudan, Tanzania, Uganda



HUMANITARIAN RESPONSE

We have been providing life-saving services to forcibly displaced Myanmar nationals through a multi-sector response since the influx began in September 2018. We are working closely with the government, local and international NGOs and other stakeholders through the Inter Sector Coordination Group.



SOCIAL ENTERPRISES

Solution for social challenges and surplus for greater impact: Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers.



INVESTMENTS

Socially responsible companies that assist us in our mission. Our network of investments help us strive towards the goal of self-sustainability.



BRAC UNIVERSITY

An educational institution's goal is not only to provide the highest quality teaching, but also to inculcate the values essential for tomorrow's leaders. The journey starts by building a high calibre and supportive faculty and administration team who are capable of teaching the most challenging and up-to-date educational programmes, and empowering them with knowledge and life skills so that they can take on the challenges of building themselves and a better nation.

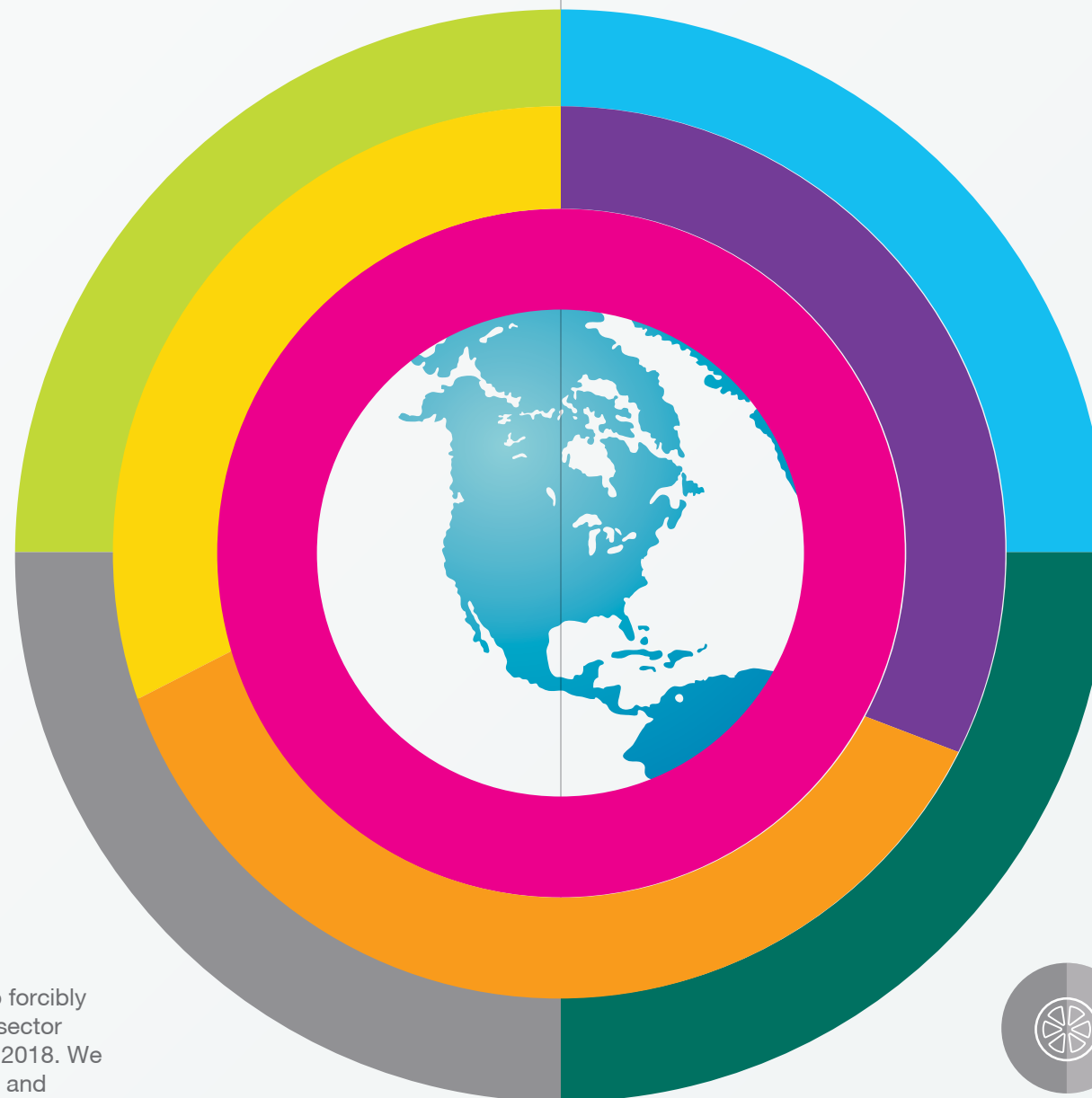


STICHTING BRAC INTERNATIONAL



AFFILIATES

BRAC USA
BRAC UK



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CHAIRPERSON'S FOREWORD



Over recent years, significant investments have been made to ensure the survival and optimal development of children during the first decade of life. Globally, the under-five mortality rate has decreased significantly. Around 20,000 fewer children died every day in 2016 than in 1990. However, this progress has not been universal. Inequities in child mortality between high-income and low-income countries remain large. Reducing these inequities across countries and saving more children's lives by ending preventable child deaths are important priorities.

We also need to focus on the second decade of children's lives. A safe, healthy passage from adolescence into adulthood is the right of every child. To fulfil this right, families and societies need to ensure that adolescents and youth acquire the knowledge and skills required to lead productive and fulfilling lives. Calls for investment in children and young people have increased dramatically in recent years. More and more countries agree that policies, which help young people fulfil their potential, also drive economic development.

Challenges persist in both the education and skills sectors. We need to ensure that all children complete their primary schooling and go on to secondary school. Additional efforts are required to empower girls to believe that they are capable of doing everything boys can. The lack of improvement in the quality and outcomes of education is another concern.

The global youth unemployment rate stands at 13 per cent, which is three times higher than the figure for adults. This lack of job opportunities is one of the issues

of greatest concern. Globalisation and technology are reshaping the lives of young people worldwide. 85 per cent of jobs that today's learners will be doing in 2030 do not exist now. There is an urgent need to redesign curricula for secondary, vocational and higher education to develop skills and competences that will meet the needs of the future. Our goal should be to create adaptable learners who are capable of reengineering their own skills and capacities in disrupted economies. Attention must also be paid to developing children and young people's human qualities and values, such as empathy, cooperation and integrity.

Political instability and conflict are leaving young people vulnerable to violence, disrupting their schooling and access to basic health services and, in many cases, inflicting psychological trauma. We must accelerate efforts to protect children and young people from violence, drug abuse, conflict and poverty, to enable them to lead more productive lives and contribute to society.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR



There are more young people today than at any other time in human history. Children and young people make up almost 40% of the world's population, with specific needs and aspirations for the future, which poses both immense opportunities and challenges. While we as a global community have made significant progress in ensuring a better life for all, there is always more work to be done. One in five children, adolescents and youth is out of school. That is 263 million children and youth across the world.

Today's young people will be tomorrow's leaders - in our families, in our workplaces, in our communities. Over a third of the Sustainable Development Goal (SDG) targets highlight the role of young people and the importance of their empowerment, participation, and wellbeing. The SDGs highlight that young people are a driving force for development – however they need to be provided with the skills and opportunities needed to reach their potential. Therefore we at BRAC International have shifted our strategy to focus on ensuring children and youth have better opportunities.

We have invested in Early Childhood Development programmes in Tanzania, Uganda and Liberia. A dollar invested in early childhood development yields a seven-fold return in the future. Having a strong foundation from an early age leads to more productive citizens in the future.

We believe education is a universal right and no one, no matter the circumstance, should be left behind. 130 million girls between the age of 6 and 17 are out of school

and 15 million girls of primary-school age will never enter school. We are building schools only for girls in Afghanistan and Pakistan, places where it is extremely difficult for them to go to school.

In Sub-Saharan Africa alone, 14.2% of the youth population is unemployed, representing massive untapped potential for growth. Everyone should be able to contribute and reap development dividends and our ELA programme ensures just that for our out-of-school adolescent girls. With specialised skills and entrepreneurial lessons, our programme enables them to unlock their potential and contribute to society. We give our girls access to microloans so they can start their own enterprises.

Our newly-launched Skills Development Programme in Nepal connects children and youth to apprenticeships and equips them with the skills needed to not only affect change in their own lives but also in the communities they are a part of.

Our extraordinary strides in the field of development mean that we are ready to provide a better, more equitable life for our children. As our future change-makers, children hold incredible potential for innovation. It is our responsibility to give them what they deserve. We cannot let their potential go unrealised.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE



Sierra Leone has experienced many human development improvements since the end of the decade long civil war, despite recent constraints. We have contributed towards the development efforts of the Government. We are committed to strengthen our development contributions in coming years.

We started a new phase of our empowerment and livelihood for adolescents project in partnership with Novo Foundation in 2017. The project empowers adolescent girls socially and economically. We wish to capitalise on our successful project called "Pull slum pan pupil" (PSPP) which has served slum dwellers especially youth and adolescents in ten slums in Freetown.

We also look forward to build on our learning from a successful project on pig value chain with support from DFID. This project has provided direct capacity and in-kind supports for pig farmers increasing their income and food security significantly.

Our Inland value swamp project with support of WFP, the Government of Japan, and the Ministry of Agriculture, Forest and Food Security of Sierra Leone continue serving farmers in 30 communities and will soon be extended to more communities.

We partnered with Catholic Relief Services to implement a project to reduce the morbidity and mortality of malaria, supported by the Global Fund.

We expanded our microfinance programme in new locations, serving 34,167 clients through 30 branch offices across 11 districts.

We have developed a new country strategy for the period 2018-22. This country strategy has considered the country development priorities set forward by the Government of Sierra Leone and its stakeholders. We will expand our existing coverage and strengthen our integrated approach to development with programmes on agriculture, food security, and livelihoods, health, nutrition, and WASH, empowerment and livelihood for adolescents, targeting the ultra poor and microfinance. Our microfinance programme will be extended horizontally and vertically providing easily accessible diversified microfinance services to communities. Organisational strengthening including communication, partnership, advocacy, and capacity development of staff will remain as a strategic priority.

We are thankful to the support from government ministries, donors, and other development partners. We acknowledge and thank our advisory council members for their valuable contributions. We look forward to strengthen the collective efforts for greater impacts.

Rakibul Bari Khan
Country Representative
BRAC in Sierra Leone

BRAC ACROSS THE WORLD

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

11 SIERRA LEONE
Initiated: 2008
AFSP, ELA, EPR, Health, MF

06 LIBERIA
Initiated: 2008
AFSP, Education, ELA, Health, MF

12 SOUTH SUDAN
Initiated: 2007
Education, ELA, Health

13 TANZANIA
Initiated: 2006
AFSP, Education, ELA, WASH, MF

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

03 NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

04 AFGHANISTAN
Initiated: 2002
AFSP, Education, CDP, Health, CCAP

09 PAKISTAN
Initiated: 2007
Education, MF, Health, TUP

07 MYANMAR
Initiated: 2013
EPR, MF

05 BANGLADESH
Initiated: 1972
AFSP, BEP, CEP, DMCC, GJD, HNPP, HRLS, IDP, MF, MG, SDP, TUP, UDP, WASH, HCMP

10 PHILIPPINES
Initiated: 2012
Education

14 UGANDA
Initiated: 2006
AFSP, Education, TUP, ELA, EPR, Health, MF

08 NEPAL
Initiated: 2015
ELA, Health, WASH, SDP

AFSP : Agriculture and Food Security Programme
BEP : BRAC Education Programme
CCAP : Citizens Charter Afghanistan Programme
CDP : Capacity Development Programme
CEP : Community Empowerment Programme

DMCC : Disaster, Management and Climate Change
ELA : Empowerment and Livelihood for Adolescents
EPR : Emergency Preparedness and Response
GJD : Gender Justice and Diversity
HNPP : Health, Nutrition and Population Programme

HRLS : Human Rights and Legal Aid Services
HCMP : Humanitarian Crisis Management Programme
IDP : Integrated Development Programme
MF : Microfinance
MG : Migration

SDP : Skills Development Programme
TUP : Targeting the Ultra Poor
UDP : Urban Development Programme
WASH : Water, Sanitation and Hygiene

AGRICULTURE AND LIVESTOCK



In Sierra Leone, more than half of the household income (59%) is spent on food. Food production is very minimal due to limited access to quality seeds and farm tools, pest disturbances, late delivery of inputs, high labour cost, low price of imported rice and no price protection for local farmers. Livestock contributes only 3% of agricultural output.

We started our food security initiatives in Sierra Leone in 2008 to improve the food security, nutritional outcomes, and incomes of people in rural communities by promoting and developing highly productive, environmentally sustainable farming mechanisms.

WHAT WE DO

We develop the capacities of community agriculture and livestock promoters to support farmers and ensure door step services. We conduct farmers' training, establish demonstration farms, provide input support to farmers, create access to markets and improve sustainable farming techniques to improve the agricultural production and productivity. We also raise nutrition related awareness through nutrition awareness campaigns.

We are operating a seed testing and multiplication farm which produces rice and maize seeds and grows yellow cassava and orange- fleshed sweet potato to enhance food diversification. Despite high demand for it, rice production cannot meet the requirements in Sierra Leone. In order to increase rice production, we convert previously unusable swamp lands into fields to grow rice and vegetables. The community-based, sustainable food security of smallholder rice-producing farmers project has increased the production of rice and vegetable of 530 marginal farmers (90% women) in Port Loko district.

We implemented a project to improve pig breeding, rearing and marketing and therewith the income of pig rearers in rural areas. We provide training to farmers on various poultry and livestock rearing techniques. We develop the supply chain of high-quality inputs and vaccines among farmers and establish linkages between market actors.

HIGHLIGHTS

Produced **187** kg maize seeds and **5,466** kg rice seeds in our seed farm and distributed to farmers

Developed 106 hectares of swampy land involving **530** farmers

Tripled rice production in Inland Valley Swamp area (recorded to be **2.95 MT** per hectare) from baseline

Established four fish ponds in the swamp rice field to promote Integrated Rice – Fish culture

Formed and facilitated **20** Village Savings and Loan Associations

Facilitated the formation and registration of **10** farmer based organisations with the Ministry of Agriculture Forestry and Food Security

Established seven pig breeding & multiplication farms, **75** model pig rearers and **750** general pig rearers

Supplied **1,195** piglets and **9.3 MT** pig feed among the farmers

Formed and facilitated five business development forums

Constructed four pig slaughterhouses in four districts

EMPOWERMENT AND LIVELIHOOD FOR ADOLESCENTS



Adolescent and youth represent 31.3% of the total population in Sierra Leone and accounts for the largest share of the working age population (66%) and more than half the employed population (56 percent). They face multiple challenges for schooling, feeding, and living a healthy life. Adolescent girls' sexual and reproductive health issues coupled with their economic dependency make them more vulnerable both in urban and rural areas. We started our empowerment and livelihoods for adolescent programme in 2012 to socially and economically empower adolescents to participate meaningfully in decisions that affect their lives, and create supportive environments for youth development.

WHAT WE DO

We empower adolescent girls by enhancing their economic potential, health, and self-esteem. Our adolescent clubs serve as social space for girls who learn and share their reproductive and sexual health issues. They also receive training on life skills and income-generating activities along with microloans in an enabling environment that encourage participation from not only the parents but also the broader community. In addition, we provide relevant learning materials and support recreational activities such as reading, stage drama, dancing, indoor and outdoor games such as Ludo, snake and leather, scrabble, foot ball, skipping rope, and volleyball.

Our interventions are customized according to the local context where 70% of the young people are unemployed. Economic vulnerability, social isolation, lack of knowledge and limited access to sexual and reproductive healthcare, and also the aftermath of Ebola have affected young girls the most.

We are currently implementing ELA interventions in four districts in Sierra Leone: Port Loko, Kambia, Moyamba and Bo.

HIGHLIGHTS

Implementing **160** clubs in four districts (Kambia, Port Loko, Moyamba, and Bo) in 2017–2018

3 girls from the clubs participated in the annual girl's camp of the First Lady of the Republic of Sierra Leone where they received and shared information on sexual and reproductive health, menstrual hygiene and resilient building.

Additionally, they were provided with relevant learning materials, dignity kits, and tuition fees for their excellent performance during the camp meeting.

Engaged **9600** parents during community forums across four districts

Held two coordination meetings with **38** service providers to discuss the terms and conditions of livelihood training

Referred **500** beneficiaries to Marie Stopes for family planning services

Conducted a two day Child Protection training for **22** BRAC staff who are part of the ELA team, facilitated by Ministry of Social Welfare Gender and Children's Affairs better capacity on the job.

HEALTH



Sierra Leone currently has among the highest rates of maternal and child mortality globally at an estimated 1,165 per 100,000 live births according to government of Sierra Leone annual report 2016. This is equivalent to 8 unnecessary maternal deaths everyday. There is also high incidence of teenage pregnancy which ranked among the 10 highest in the world, with 28% of girls 15-19 pregnant or already having given birth at least once (UNFPA, 2015). An estimated one in nine children loses their life before their fifth birthday due to preventable disease such as malaria.

We are implementing a malaria project to enhance community knowledge to prevent malaria and seek appropriate medication to treat the disease.

WHAT WE DO

We trained community and school health clubs to sensitize on how to control and prevent malaria. They focused on five key messages: sleep in treated bed net; pregnant women to take three doses of malaria drug during pregnancy; seek health facility with 24hrs of onset of fever; be tested and get treated; and complete treatment as prescribed.

We build the capacity of our health staff who conduct static health forums and supervises Community and School Health Clubs in carrying out their daily outreach activities.

We seek to improve the quality of life for young people living in 10 slum communities, through better access to sexual and reproductive health services, livelihoods opportunities and increased income. Young people received training on life skills, microloans, sexual reproductive health and human rights and legal awareness, financial literacy and employment.

HIGHLIGHTS

Facilitated the formation of **720** community health clubs, with **7,200** members and reached **14,64,103** people

Facilitated the formation of **240** school health clubs, with **2,400** members, reached **414,004** pupils

Conducted **17** static malaria health forums

Trained **960** Community health club leaders and school health club facilitators

Held **71** radio discussions

Distributed **125,000** family planning products to **120,000** people

Trained **1,500** young people on life skills

Conducted **203** health forums

Trained **114** young people on financial literacy

Provided **192** girls with family planning services through Marie Stopes

Organized **3** SRH Campaigns across ten slum communities

EMERGENCY PREPAREDNESS AND RESPONSE



Over the years, Sierra Leone has experienced various disasters that have affected every facet of the country. In 2014, Sierra Leone was hit by a deadly Ebola epidemic outbreak which claimed about 4,810 lives and adversely affected the economy. This was compounded by the August 14th 2017 twin disasters of mudslide and flooding which took many lives and also made many more people homeless. Our emergency preparedness and response programme seeks to build institutional and community capacity to prepare and respond to emergencies based on the country emergency risk profile.

WHAT WE DO

In partnership with the Bill & Melinda Gates Foundation, BRAC International and BRAC Sierra Leone are piloting a model for developing local emergency preparedness and response capacities. Through a participatory, community-based inclusive approach, our project will work with schools, communities and local governments in Port Loko district and the city of Freetown to strengthen humanitarian localization.

HIGHLIGHTS

Organized two joint First Aid and simulations training for 30 BRAC and 10 government of Sierra Leone staff

Conducted 2 Crisis and security risk management training for 30 BRAC Sierra Leone and 10 government of Sierra Leone staff

Conducted consultation workshop with different stakeholders and partners on Disaster Preparedness Plan for BRAC Sierra Leone

Conducted Country Risk Analysis and Multi-Hazard Risk Assessments in all districts in the country

Distributed First-Aid kits to BRAC Sierra Leone Country office, all Area offices and two branch offices across the country

Monitored monthly country safety and security situations and developed 46 weekly safety and security reports

Updated Country Risk Assessment and Multi-Hazard Risk Assessment on quarterly basis

Actively participated in the August 14, 2017 Mudslide and Flooding disaster response activities in Freetown.

BRAC Sierra Leone donated cash and Food-non-food items to support affected persons to President's fund

MICROFINANCE



In Sierra Leone, access to finance is limited for the rural poor who are not in formal employment. We are providing access to credit for people who have been excluded from the formal financial sector through our microfinance programme.

WHAT WE DO

We use a holistic approach to make real-time integration between financial and non-financial services for socio economic transformation of the community. Our goal is to improve livelihood and empower communities financially.

Our microfinance portfolio remains the largest in Sierra Leone, covering 11 districts out of 16 with 31 branch offices across the country. We provide access to credit to people through two main components: a group-based microloan facility targeting women (100%), and an enterprise loan targeting both male and female small-scale entrepreneurs.

The size of the group is usually 15-20 women and the loan amount ranges from \$ 100 to \$800 per person. Our enterprise loans range from \$ 700 to \$10,000. The average loan size for micro loans is \$ 143 and for the enterprise loan it is \$1219. Enterprises can pay their installments through mobile money which make the transaction process more convenient.

HIGHLIGHTS

Disbursed microloan **USD 5.51** million and number of loans disbursed **41,257** among the MF group members

Disbursed small enterprise loan **USD 3.88** million and number of loans disbursed **3,222** among the entrepreneurs

Expanded to **2** new branches to meet market demand

Added a new loan scheme for job holders to address the increasing demand of diversified products from the client base

EMPOWERMENT THROUGH TECHNOLOGY



I am Marie Kamara, a rice farmer from Masembeh village in the Buya Romende chiefdom of Portloko District. Rice production is very difficult here. Much of the land is covered in swamps. The market is not yet well established so it works out cheaper to import rice.

A few years ago, an organisation called BRAC came to my community and proposed an idea: they would help us increase our rice production through superior techniques and better input support. We would clear swamplands and convert them into rice paddies. We would link up to local markets.

I began preparing the land by mid May with several trainings received from BRAC field staff and I have increased my rice yield. Before the project, farming output was very poor, because we lacked the adequate techniques leading to proper cultivation of our swamp land. I had used plenty of seed rice but there was low yield which was barely enough for my family consumption. Now I use the same quantity of seed but get a lot of harvest to consume, keep and sell to the market.

I used just 5 kg of seed rice to cultivate an area of two hectares to produce 700 kg of rice. Previously, I used 25 kg of seed rice to produce a yield of only 150 kg.

My income has increased significantly since this project. I am now able to fully support my children in school with their school fees and learning materials from the sale of harvest from my farm.

SINGLE PIG TO TRIEVING ENTERPRISE



Life was extremely difficult after the civil war. I am a 55-year-old single mother of four children. My family and I used to survive on a single meal every day. I used to rear pigs as a smallholder farmer here in the Panlap community of Bombali district. My livelihood, like many others in Sierra Leone, became unsustainable during the war. We had no access to medical facilities, and my children were not learning in school. Rebuilding the pig farm seemed impossible since all my income went towards feeding my children. There were also clear difficulties in accessing piglets and pig feed. I started selling palm wine to earn more money, with the hope of starting my piggery enterprise again in the future.

I was selected as a general pig farmer through BRAC's pig value chain project, and participated in an intensive farm management training. I was provided with a pair of large white cross sows and one boar for onward rearing after the training. I also participated in all the local pig producer group meetings and workshops organised by the project. I was one of the early adopters in the project. I learned and quickly implemented standard rearing systems, and saw a high production of 8-10 piglets per litter with good growth.

I now have five matured pigs. I have sold 12 piglets at 4,920,000 SL (USD 646) over the last year. This has been a very significant increase in my income. It has helped me improve my family's diet. I am now earning enough to spend on other things apart from food. I have even employed three other women from my community to help in my farm.

RAY OF HOPE

My name is Fatmata Jalloh and I am an 18 years old, and a mother. I lost my father to Ebola in 2015 and my mother died shortly after.

I relocated to Bo after my parent's death and stayed with my brother's wife. I was in SSS 2 and she was supporting my schooling. We happily lived as a family until she broke up with my brother and asked me to move out of their house.

I came to my grandmother at Kakpema, a small community in Tikonkoh chieftdom, Bo District. My grandmother fends for the home out of proceeds from the sale of palm cannel. Since she had 8 other dependants (who were all out of school) to provide for, she could only afford to support me with food at home.

I had no relative to take care of me and even my friends shunned me. One day I met an old friend who completed high school and was engaged in petty trading. He offered to care for my needs. In my distress and hopeless state, I gladly accepted thinking that my problems were finally over. We fell in love and some time later, I got pregnant. When I told him, he left the village and left me all alone. My baby is now seven months old and I have not heard from him since. My son and I struggled for survival until I got enrolled in the ELA programme in 2017.

The ELA programme has greatly helped, calming my frustration and the experience sharing within the club



guides me all the way. The Life skills lessons has provided me with a lot of relief, and I now feel strong to say no to abuses like harassment, early marriage, and teenage pregnancy. I can make sound decisions now regarding my health and my future. ELA club activities have revived my life. The life skills component in the club is so exciting and educating. Since I'm still hopeful of going back to school one day, the reading materials are very helpful in keeping my brain busy. I study in the club and borrow books from the club. I have also opted for microfinance as a livelihood option which I believe will economically empower and strengthen me to support myself and care for my baby. Thanks to BRAC!!

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International in the Netherlands.

CORPORATE GOVERNANCE

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

Stichting BRAC International has a ten (10) member Supervisory Board.

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities. The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no board remuneration applicable for the Supervisory Board.

The current members of the Supervisory Board are:

Chairperson

Sir Fazle Hasan Abed, KCMG

Members

Ms. Sylvia Borren
Dr. Muhammad Musa
Ms. Parveen Mahmud
Dr. Ahmad Mastaqur Raza Chowdhury
Dr. Debapriya Bhattacharya

Ms. Shabana Azmi
Mr. Shafiqul Hassan
Ms. Irene Khan
Dr. Fawzia Rasheed

MANAGEMENT BOARD

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Management Board is appointed by Supervisory Board and their performance is reviewed annually. The Management Board consists of the following members:

Mr. Faruque Ahmed, Executive Director
Mr. Saif Md Imran Siddique, Director
Mr. Shameran Abed, Director
Ms. Lamia Rashid, Director

The gender diversity in the management board is 75/25. The Foundation is trying to bring in more female participation into its Management board. The management board meets on a weekly basis.

BRAC INTERNATIONAL HOLDINGS BV

BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing. The social programmes currently supporting the enterprises include seed production and training centres.

BRAC International Holdings BV has the role to consolidate the financial results of all country operations in six countries. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the foundation has control.

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Sir Fazle Hasan Abed KCMG, Chair
Dr. Muhammad Musa, Member
Ms. Parveen Mahmud, Member
Ms. Sylvia Borren, Member

MANAGEMENT BOARD

The Management Board consists of the following members:

Managing Director
Mr. Faruque Ahmed

Director
Mr. Hans Eskes

In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

GROUP FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

Ms. Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Saif Md Imran Siddique, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal audit function

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities

in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

In 2015, BI decided to form advisory councils to strengthen governance, support advocacy at the national level and enhance credibility.

The council members, who are country nationals, provide the country leadership with advice and support on standards and policies, and the development and implementation of programmes. They advise on key external developments and trends nationally, and promote BRAC's mission through effective and strategic working relationships with key stakeholders and civil society partners in the countries. They also support information sharing and relevant advocacy on behalf of BRAC.

ACCOUNTABILITY AND TRANSPARENCY

The internal audit department conducts periodical audits at all our cost centres on a sample basis. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted. In addition, special investigations are conducted in case of fraud or irregularities that may be detected. A 'whistle blower' policy is in place and HR takes actions as and when required.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards and the laws of relevant countries.

The summary of all audits and investigations are submitted to the audit and finance committee on a half yearly basis.

BRAC IN SIERRA LEONE

GOVERNANCE

Local Board Members

BRAC Sierra Leone
Dr AMR Chowdhury
Faruque Ahmed
Shib Narayan Kairy

BRAC Sierra Leone Microfinance LTD

Faruque Ahmed
Shameran Abed
Lamia Rashid
Md. Saif Imran Siddique
Rakibul Bari Khan

Country Advisory Council Members

Joe Robert Pemagbi
Aisha Fofana Ibrahim
Sonkita Conteh

MANAGEMENT

Rakibul Bari Khan, Country Representative and Managing Director,
BRAC Microfinance (SL) LTD
James Ward Khakshi, Research Coordinator
Sheikh Muzam, Programme Manager, Microfinance
Regena Kain, Acting Programme Manager, Health
Jenneh M.Gbao, Programme Manager, Empowerment and Livelihood
for Adolescents
Md. Monoarul Islam, Programme Manager, Food security and livelihood programme
Prince Momoh, Head of Finance
Md. Akhter Hossain Miah, Head of Internal Audit
Edwin Worneh Jarfoi, Head of Human Resource and Training
Victor Kamara , Proposal Development & Fund Raising Manager

DEVELOPMENT PARTNERS

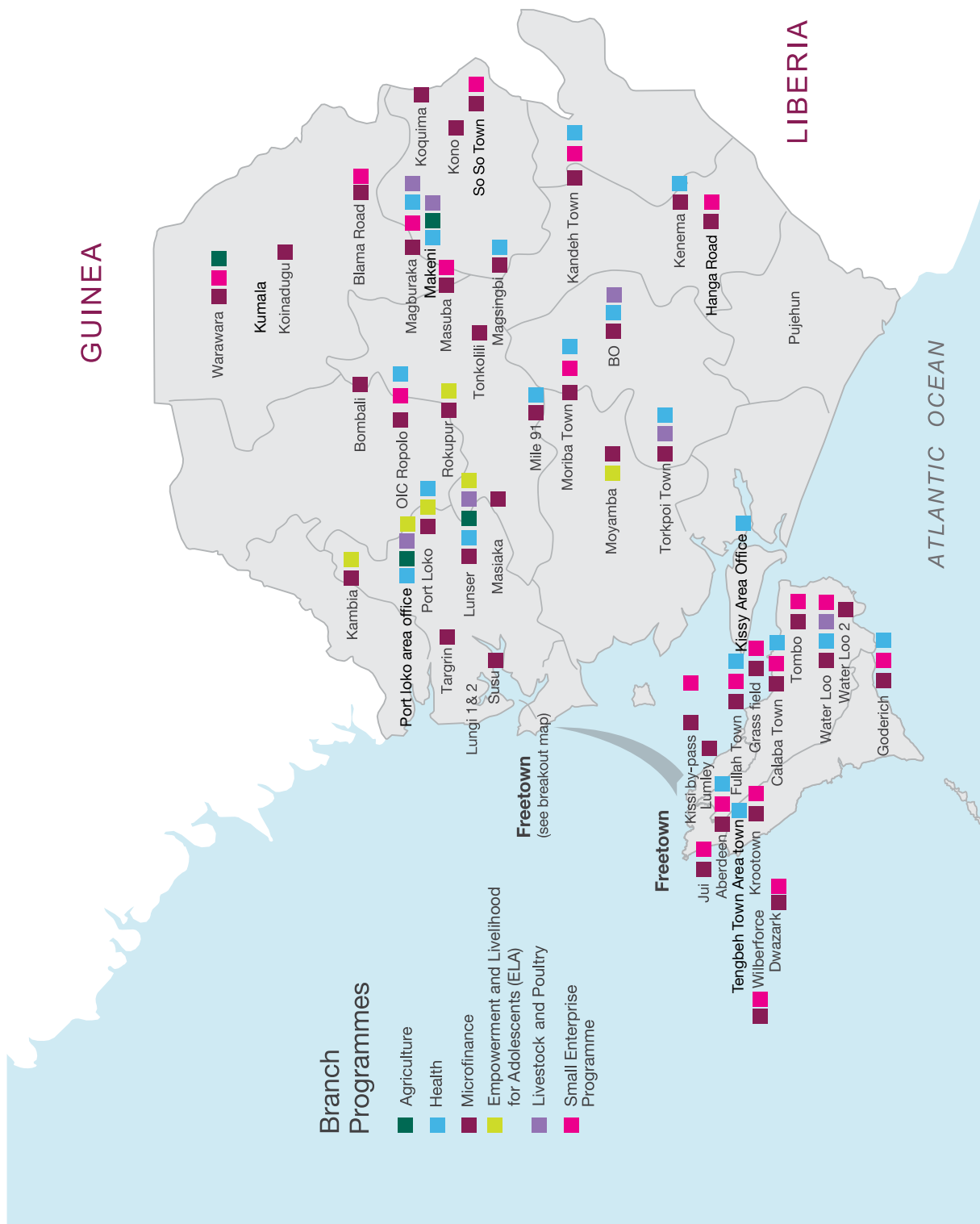
BILL & MELINDA
GATES foundation



NoVo Foundation
create. change.



BRAC IN SIERRA LEONE



FINANCIALS

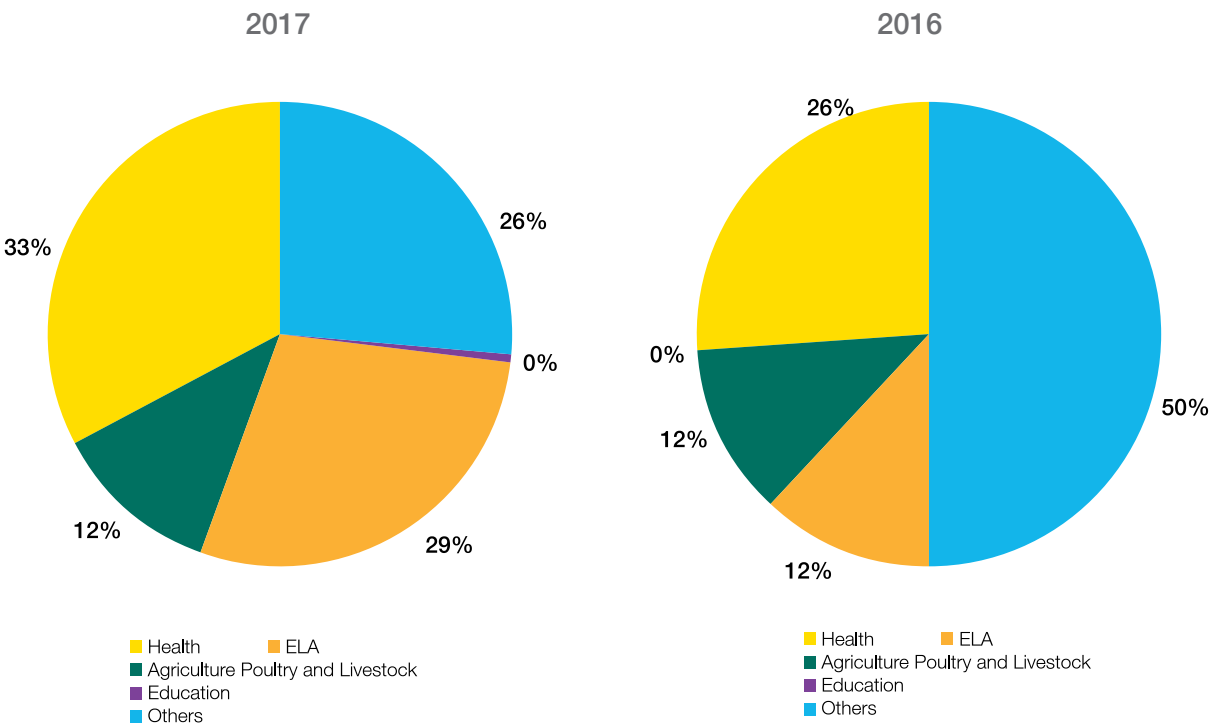
FINANCIAL HIGHLIGHTS – NGO

BRAC Sierra Leone received USD 1,503,921 as grants compared to USD 2,709,717 in 2016. Total Project expenses for the year were decreased by 56% to USD 1,239,675. Out of the total expenses Novo Foundation, Comic Relief and Global Fund hold the majority of the portion. About 82 % of total expenditure has been used for program services.

Total Equity as at 31 December 2017 stands at USD 87,894 compared to USD (37,056) in 2016.

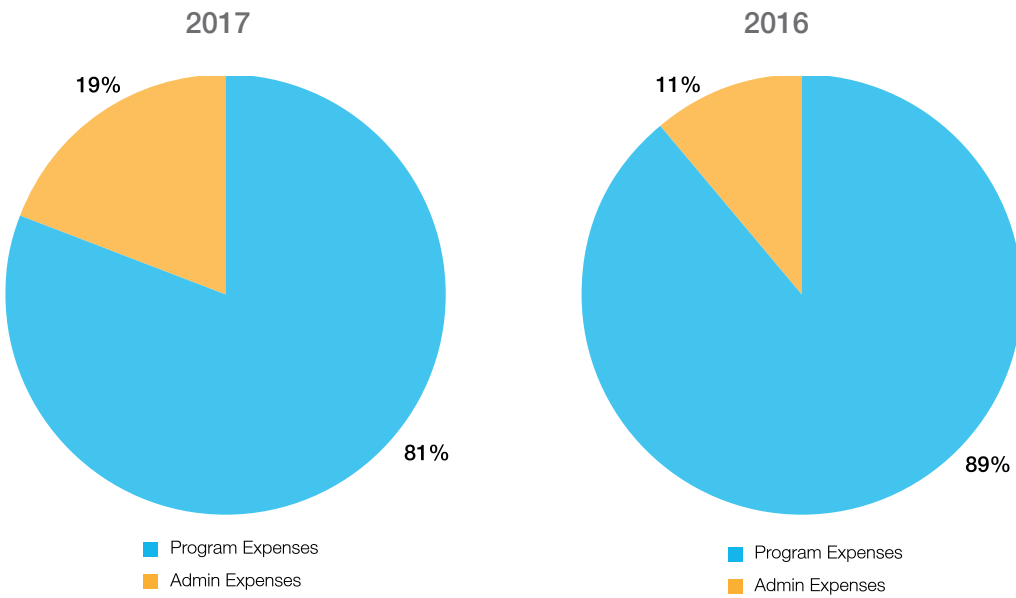
PROGRAMME COST OF PROGRAMMES

Programme	2017	%	2016	%
	USD		USD	
Health	407,949	33%	734,335	26%
Ariculture & Poultry and livestock	144,720	12%	323,367	12%
ELA	356,342	29%	328,611	12%
Education	-		-	0%
Others	330,664	27%	1,416,322	51%
Total	1,239,675	100%	2,802,636	100%



PROGRAMME COST BY EXPENSES

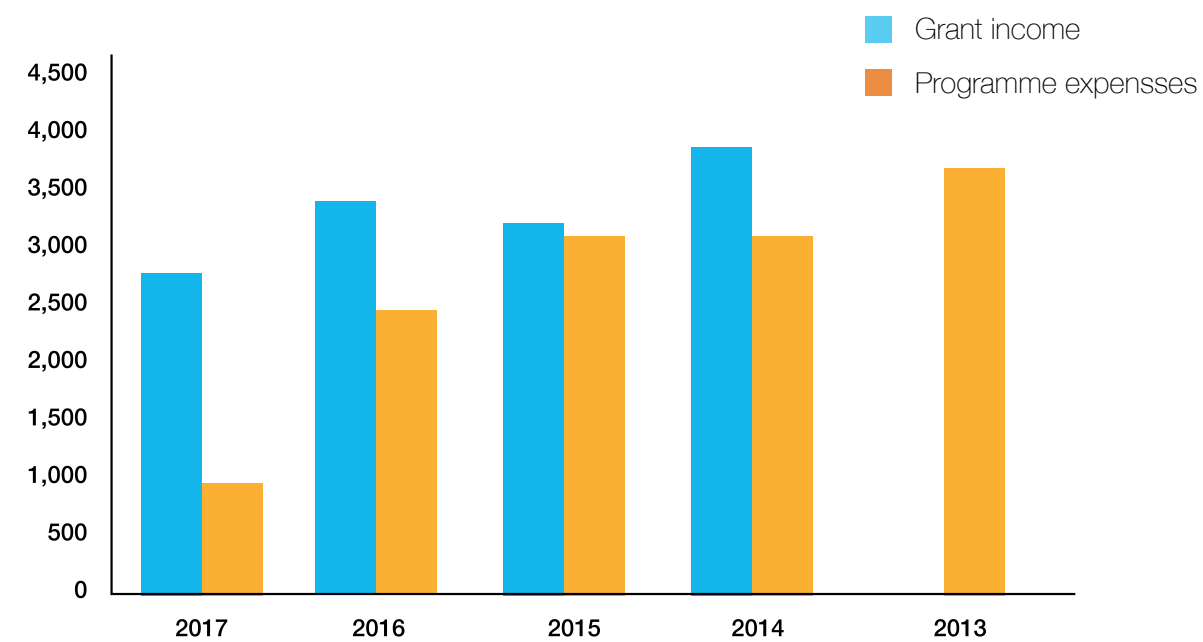
Expenses	2017	%	2016	%
	USD		USD	
Program Expenses	1,000,333	81%	2,500,310	89%
Admin expenses	239,342	19%	302,326	11%
Total	1,239,675	100%	2,802,636	100%



FIVE YEAR PERFORMANCE REVIEW

Currency	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Income Statement					
Grant Income	1,010,070	2,699,059	3,454,000	3,273,000	3,854,000
Other Income	-	-	105,000	82,000	36,000
Program Expenses	1,000,333	2,500,310	3,109,920	3,064,000	3,615,000
Admin expenses	239,342	302,326	424,080	385,000	312,000
Financial Position					
Net Equity	87,894	(37,056)	127,000	130,000	1,791,000
Cash at Bank	589,043	512,209	593,000	553,000	1,804,000
Operational Statistics					
Number of Projects	7	13	21	17	15

GRANT USED AS INCOME VS. PROGRAMME EXPENSES



Last five years grant used as income vs. program expenses (In '000 USD)

Contribution to Government Exchequer

	2017	2016
	USD	USD
Withholding tax	101,777	121,641
Social Security and pension	10,728	10,239
Total	112,505	131,880

FINANCIAL HIGHLIGHTS – MICROFINANCE

Net Income

In 2017 BRAC Microfinance (SL) Limited maintained its profit trend in 2017 and posted Profit before tax was USD 689,000 as against USD 170,343 (2016). Interest income has increased significantly by 86% due to growth in loan disbursement by 46%.

Operating expenses

Total operating expenses for the year was USD 1,797,079 as compared to USD 1,395,004 in 2016 showing a small increase of 29%.

Provisions for Impairment losses

This year amount charged for impairment on loans was USD 145,441 as against USD 123,060 in 2016, showing a increase of 18 %. This is due to increase of overdue loans. Portfolio at Risk (PAR>30) is 3.67% as to 5.77% in 2016. Total reserve for impairment was USD 255,172 in 2017 compared to 261,136 in 2016, representing 4.95% of Gross portfolio.

Financial Position

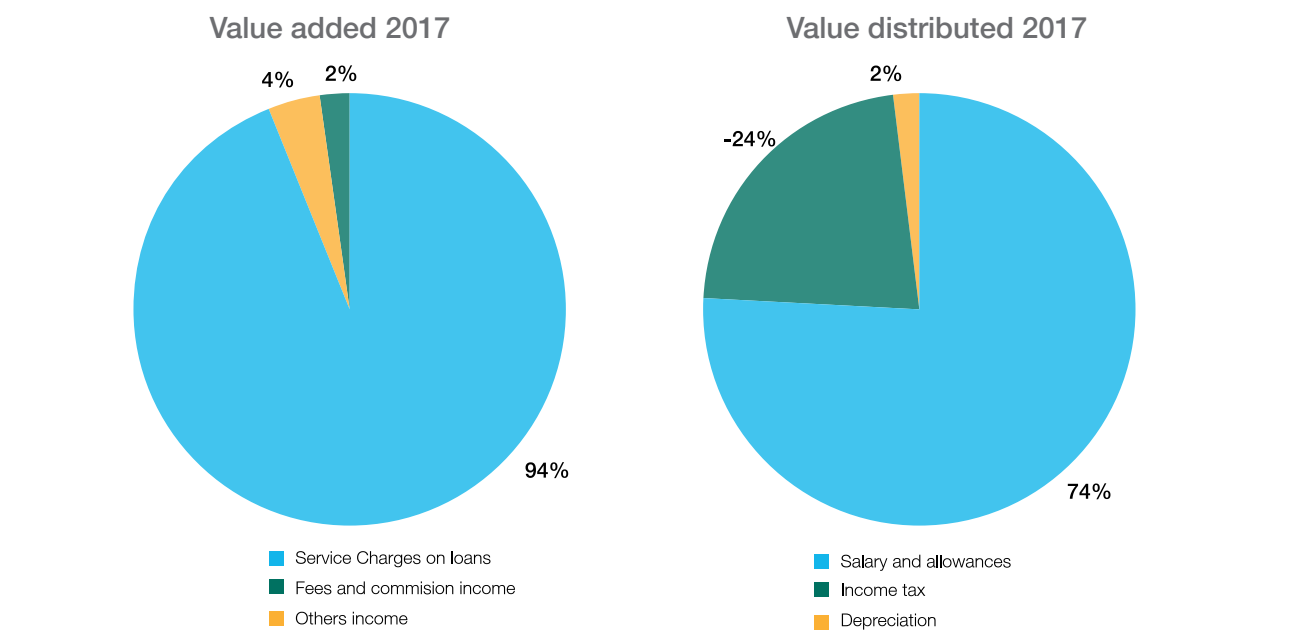
In 2017, BRAC Microfinance (SL) Limited's total assets increased by 39.99% to USD 6,350,796. The increase is mainly due to growth of loan portfolio which has been increase by 44% to USD 4,903,221.

VALUE ADDED STATEMENTS

A value added statement provides a detail 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 of course keeping in mind of organization's growth.

Figures in (USD)	2017		2016	
	Amount	%	Amount	%
Service Charges on loans	2,376,507	143%	1,276,589	158%
Fees and commission income	113,755	7%	78,771	10%
Other income/(expense)	42,213	3%	203,660	25%
Other operating expENSE	(726,740)	-44%	(626,668)	-77%
Loan provision(doubtful losses)	(145,441)	-9%	(123,060)	-15%
Total value added	1,660,294	100%	809,293	100%

Value Distributed	2017		2016	
	Amount	%	Amount	%
Employees				
Salary and allowances	1,067,409	61%	801,159	85%
Local Authorities				
Income Tax	(342,767)	-20%	11,867	1%
Depreciation	25,370	1%	12,174	1%
Growth				
Retained income	1,007,272	57%	113,480	12%
Total	1,757,284	100%	938,680	100%



Contribution to Government Exchequer

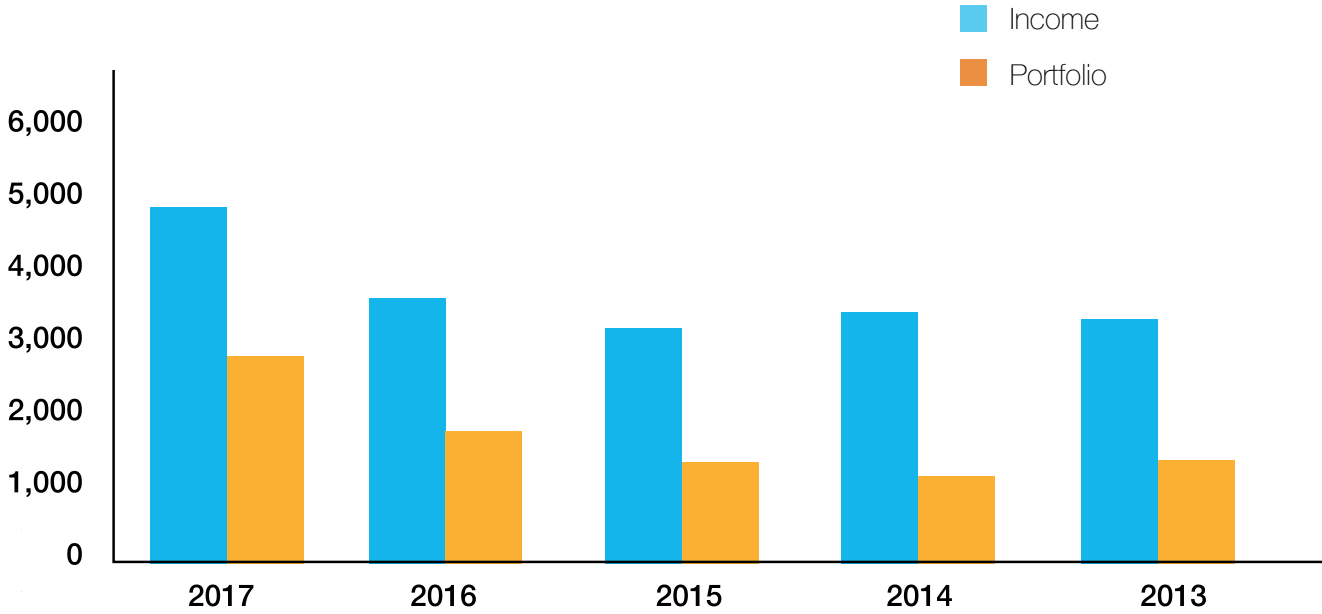
	2017	2016
	USD	USD
Income Tax	(342,767)	11,867
Withholding tax	88,442	78,317
Social Security and pension	26,648	19,443
Total	(227,676)	109,627

FIVE YEAR PERFORMANCE REVIEW

Currency	2017	2016	2015	2014	2013
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	2,629,465	1,688,407	1,153,000	1,013,000	1,321,000
Net profit/(loss) before tax	686,946	170,343	(443,000)	(410,000)	(638,000)
Total Expenditure	1,964,960	1,563,060	1,722,000	1,438,460	1,959,000
Financial Position					
Total assets	6,350,796	4,536,481	3,291,000	3,895,000	4,342,000
Net Equity	4,108,594	2,708,079	1,440,000	2,151,000	2,686,000
Loans to customers (net)	4,903,221	3,412,031	2,656,000	2,848,000	2,840,000
Cash at Bank	673,376	826,252	346,000	705,000	1,037,000
Returns and ratio					
Return on Asset	11%	4%	-13%	-11%	-15%
Cost to income	75%	93%	149%	142%	148%
Operational Statistics					
Total Borrowers	37,615	35,377	24,815	23,339	21,046
PAR>30	3.67%	5.77%	10.16%	5.52%	5.33%

OPERATING INCOME VS PORTFOLIO

(In '000 USD)



Last five years income vs. portfolio

BRAC IN SIERRA LEONE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BRAC SIERRA LEONE

GENERAL INFORMATION

Board of Directors:	Dr. A M R Chowdhury	-	Chairperson
	Mr. Faruque Ahmed	-	Member
	Mr. Shib Narayan Kairy	-	Member
Office:	BRAC Sierra Leone 174 Wilkinson Road Freetown Sierra Leone		
Project Coordinator	:	BRAC Sierra Leone	
Bankers :	Standard Chartered Bank First International Bank		
Auditors :	KPMG Chartered Accountants KPMG House 37 Siaka Stevens Street Freetown		



KPMG Sierra Leone
KPMG House
37 Siaka Stevens Street
P. O. Box 100
Freetown
Sierra Leone

Telephone: 232-22-222 061/2
Telefax: 232-22-228149
Email: kpmg@kpmg-sl.com

Management’s Responsibility Statement

The Directors’ are responsible for the preparation and presentation of these financial statements, which comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income 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 information, on the basis of accounting policies described 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 and error.

Approval of the financial statements

The financial statements, as indicated above, were approved by management and signed on its behalf by:

Head of Finance

Director

Country Representative

Director

Independent Auditors’ Report to the Board of Directors
of BRAC Sierra Leone

Opinion

We have audited the financial statements of BRAC Sierra Leone which comprise the statement of financial position as at 31 December 2017, 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 10 to 20.

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Sierra Leone as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with the significant accounting policies adopted by the Organisation 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 Organisation 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.

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 Organisation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

KPMG, a partnership established under Sierra Leonean law, is a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Partners: V T O Decker D L Kawaley C J P Williams-Tucker



Independent Auditors' Report to the Board of Directors
of BRAC Sierra Leone

- 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 Organisation'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 Organisation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Organisation's audit. We remain solely responsible for our audit opinion.

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

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

Other matter

The financial statements have been prepared in accordance with the basis of accounting described in note 3 of the financial statements, for the purpose of determining the financial position of BRAC Sierra Leone for use by its management, BRAC and other donors, 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 Sierra Leone of 174 Wilkinson Road, Freetown and should not be distributed to or used by parties other than the management of BRAC Sierra Leone, BRAC and other donors.

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

Freetown
Date: 10.03.2018

Chartered Accountants

BRAC SIERRA LEONE

STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31 DECEMBER 2017

<i>In thousands of Leones/USD</i>		SLL		USD	
	Notes	2017	2016	2017	2016
Assets					
Property and Equipment	9	585,773	690,551	77	93
Total non-current assets		585,773	690,551	77	93
Current Assets					
Cash and bank balances	10	4,506,177	3,790,343	589	512
Other assets	11	1,829,349	2,279,909	239	308
Total current assets		6,335,526	6,070,252	828	820
Total Assets		6,921,299	6,760,803	905	913
LIABILITIES AND CAPITAL FUND					
Current Liabilities					
Other Payables	13	1,197,334	2,013,360	157	272
Related Party Payables	15	5,051,577	5,021,659	660	679
Total Current Liabilities		6,248,911	7,035,019	817	951
Capital Fund					
Donor Funds	12	4,999,160	2,215,260	653	299
Retained Surplus		(4,326,772)	(2,489,475)	(566)	(337)
		672,388	(274,215)	87	(38)
Total Liabilities and Capital Fund		6,921,299	6,760,803	905	913

These financial statements were approved by the Board of Directors on 10 March, 2018.

Head of Finance
Director
Country Representative
Director

The notes on pages 47 to 55 are an integral part of these financial statements


BRAC SIERRA LEONE
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

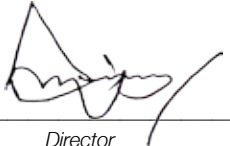
In thousands of Leones/USD	Note	SLL		USD	
		2017	2016	2017	2016
Income					
Grant Income	4	7,727,035	19,973,034	1,010	2,699
Total Income		7,727,035	19,973,034	1,010	2,699
Expenditures					
Staff costs and other benefits	5	(3,933,674)	(4,632,390)	(514)	(626)
Other general administrative expenses	6	(3,282,710)	(13,282,843)	(429)	(1,795)
Training, workshpos and seminars	7	(1,623,048)	(1,827,500)	(212)	(247)
Occupancy expenses	8	(460,386)	(796,569)	(60)	(108)
Depreciation	9	(182,696)	(200,206)	(24)	(27)
Total Expenditures		(9,483,514)	(20,739,508)	(1,239)	(2,803)
Operating Surplus/(deficit)		(1,756,479)	(766,474)	(230)	(104)
Other comprehensive income					
Unrealized exchange(loss)/gain		(80,818)	1,141,377	(11)	154
Total comprehensive income		(1,837,297)	(374,903)	(241)	50

These financial statements were approved by the Board of Directors on 10 March, 2018.


Head of finance


Director


Country Representative


Director

The notes on pages 47 to 55 are an integral part of these financial statements.

BRAC SIERRA LEONE
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of Leones/USD	Donor Funds	Retained Surplus	Total Capital Fund	Total Capital Fund
	SLL	SLL	SLL	USD
At 1 January 2017	2,215,260	(2,489,475)	(274,216)	(36)
Donor Fund decrease	2,783,900	-	2,783,900	364
Surplus for the year	-	(1,837,297)	(1,837,297)	(241)
Effect of translation differences	-	-	-	-
As at 31 December 2017	4,999,160	(4,326,772)	672,387	(87)
At 1 January 2016	3,574,954	(2,864,379)	710,575	127
Donor Fund increase/(decrease)	(1,359,694)	-	(1,359,694)	(184)
Surplus for the year	-	374,904	374,904	50
Effect of translation differences	-	-	-	(31)
As at 31 December 2016	2,215,260	(2,489,475)	(274,215)	(38)

The notes on pages 47 to 55 are an integral part of these financial statements.

BRAC SIERRA LEONE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of Leones/USD	Note	SLL		USD	
		2017	2016	2017	2016
Net cash provided by/(used in operating activities)	14	(1,990,148)	2,026,148	(260)	274
		<u>(1,990,148)</u>	<u>2,026,148</u>	<u>(260)</u>	<u>274</u>
		=====	=====	=====	=====
Cash flow from investing activities					
Acquisition of fixed assets	9	(77,918)	(182,697)	(10)	(25)
		<u>(77,918)</u>	<u>(182,697)</u>	<u>(10)</u>	<u>(25)</u>
Cash flow used in investing activities					
Cash flow from financing activities					
Changes in deferred grant		6,136	(7,883)	1	(1)
Changes in grant received in advance		2,777,763	(1,351,810)	363	(183)
		<u>2,777,763</u>	<u>(1,351,810)</u>	<u>363</u>	<u>(183)</u>
		=====	=====	=====	=====
Net cash flow from financing activities		<u>2,783,900</u>	<u>(1,359,695)</u>	<u>364</u>	<u>(184)</u>
		=====	=====	=====	=====
Net increase in cash and bank balances		715,834	483,756	94	65
Convenience translation effect		-	-	(17)	(146)
Cash and bank balances at 1 January		3,790,343	3,306,587	512	593
		<u>3,790,343</u>	<u>3,306,587</u>	<u>512</u>	<u>593</u>
		=====	=====	=====	=====
Cash and bank balances at 31 December	10	<u>4,506,177</u>	<u>3,790,343</u>	<u>589</u>	<u>512</u>
		=====	=====	=====	=====

The notes on pages 47 to 55 are an integral part of these financial statements.

BRAC SIERRA LEONE
NOTES TO THE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Reporting entity

BRAC Sierra Leone is a Non-governmental organization which was registered with the Ministry of Development and Economic Planning on the 5 June 2008. The address of the organisation's registered office is 174 Wilkinson Road, Freetown. It is the Sierra Leone arm of international NGO Stichting BRAC International.

BRAC Sierra Leone's principal activities are the provision of health services, education, agriculture, livestock and legal empowerment programs. They are presently operating in the western area and some parts of the Northern Province.

2. Basis of preparation

(a) Basis of measurement

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

(b) Functional and presentation currency

These financial statements are presented in Leones which is the organsiation's functional currency. All financial information presented in Leones has been rounded up to the nearest thousand.

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 respective functional currency of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in statement of income and expenditure.

b) Property, plan and equipment

(i) Recognition and measurement

Items of property, plant and equipment 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, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant 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, plant and equipment.

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

	Rates	Useful life
Motor vehicles/Cycles	20%	5 Years
Computer equipment	20%	5 Years
Furniture and fittings	10%	10 Years
Equipment	15%	6.7 Years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iv) Disposals

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

(c) Investments

If the organisation has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequently to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the organisation from classifying investment securities as held-to-maturity for the current and the following two financial years.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and unrestricted balances with banks that are used by the organisation in the management of its short-term commitments.

(e) Employee benefits
Defined contribution plan

The organisation operates a defined contribution scheme. The scheme is generally funded through payments to the National Social Security and Insurance Trust or trustee administrated funds. A defined contribution is a pension plan under which the company pays fixed contribution into the separate entity. The organisation has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employees service in the current and prior period.

(f) Donor grants

Income from donor grants is recognized when conditions on which they depend have been met. Substantially, donor grants are for the funding of projects and programs and for these grants income is recognized to equate to expenditure incurred on projects and programs. For donor grants which involve funding for fixed assets, grant income is recognized as the amount equivalent to depreciation expenses charged on the fixed assets concerned.

All donor grants received are initially recorded as liabilities in grants received in advanced account. For grants utilized to purchase fixed assets, the donor grants are transferred to deferred income accounts whilst for grants utilized to reimburse program-related expenditure, the amounts are recognized as income.

(g) Grant income

This represent amount released from deferred income and grant received in advance account and reported as income for the period.

(h) Other income

Other income comprises foreign exchange gains and bank interest.

(i) Self Insurance Fund

BRAC Sierra Leone sets aside a monthly amounts equivalent to 1% of the basic salary of local employees, to constitute a 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.

(j) Segmental reporting

The organisation operates in only one economic environment – Sierra Leone and does not consider that reporting by business segment will lead to a clearer understanding of the financial statements. However, a project wise income and expenditures statement has been shown in note 21.

(k) Staff costs

Staff costs comprise of salaries and allowances of administrative staff and project employees, social security contribution and other related expenses.

(l) Training costs

Training costs comprise of trainings, workshops and seminars of both program staffs and beneficiaries.

(m) Administrative expenses

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

(n) Income tax expense

The organisation is exempt from paying taxes.

BRAC SIERRA LEONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4.	Grant income	SLL	USD
	<i>In thousands of Leones/USD</i>	2016	2017
		2017	2016
	Transferred from grant received in advances account	19,819,648	2,678
	Grant received from Stitching BRAC International	-	-
	Transferred from deferred income-as a release		
	to match the depreciation charge for the period	153,386	21

BRAC SIERRA LEONE

NOTES TO THE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8.	Occupancy expenses	SLL		USD		
	<i>In thousands of Leones/USD</i>	2017	2016	2017	20165	
	Rent and utilities	460,386	796,569	60	108	
		=====	=====	=====	=====	
9.	Property and equipment					
	<i>In thousands of Leones</i>					
		Furniture & fixtures	Plant & Machinery	Motor Vehicles	Total SLL	Total USD
	Cost					
	1 January 2017	384,316	548,338	480,708	1,413,362	190
	Additions	19,527	58,391	-	77,918	10
	Adjustment	-	-	-	-	-
	Disposal	-	-	-	-	-
	Translation difference	-	-	-	-	(5)
	At 31 December 2017	403,843	606,729	480,708	1,491,280	195
		=====	=====	=====	=====	=====
	1 January 2016	487,188	254,818	488,659	1,230,665	221
	Additions	40,070	142,627	-	182,697	25
	Adjustment	(142,942)	150,893	(7,951)	-	-
	Disposal	-	-	-	-	-
	Translation difference	-	-	-	-	(56)
	At 31 December 2017	384,316	548,338	480,708	1,413,362	190
		=====	=====	=====	=====	=====
	Accumulated depreciation					
	1 January 2017	158,480	354,935	209,396	722,811	97
	Change for the year	36,938	54,626	91,132	182,696	24
	Adjustment	-	-	-	-	-
	Translation difference	-	-	-	-	(3)
	At 31 December 2017	195,418	409,561	300,528	905,507	118
		=====	=====	=====	=====	=====
	1 January 2016	204,177	171,018	110,216	485,411	87
	Charge for the year	44,363	61,543	94,300	200,206	27
	Adjustment	(90,060)	122,374	4,880	37,194	5
	Translation difference	-	-	-	-	(22)
	At 31 December 2016	158,480	354,935	209,396	722,811	97
		=====	=====	=====	=====	=====
	Net book value:					
	At 31 December 2017	208,425	197,168	180,180	585,773	77
		=====	=====	=====	=====	=====
	At 31 December 2016	225,836	193,403	271,312	690,551	93
		=====	=====	=====	=====	=====

BRAC SIERRA LEONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. Cash and bank balances

In thousands of Leones/USD	SLL		USD	
	2017	2016	2017	2016
Bank balances	4,488,537	3,741,095	587	505
Cash in hand	17,640	49,248	2	7
	<u>4,506,177</u>	<u>3,790,343</u>	<u>589</u>	<u>512</u>
	=====	=====	=====	=====

10.1 Name of bank and balance

In thousands of Leones/USD				
Standard Chartered Bank SL Limited	3,970,379	3,487,175	519	471
Guaranty Trust Bank	-	-	-	-
Marampa Masimera				
Community Bank	2,379	4,929	-	1
Rokel Commercial Bank	197	19,717	-	3
First International Bank	502,178	216,587	66	29
Union Trust Bank	3,831	2,385	1	-
Sierra Leone Commercial Bank	9,573	10,302	1	1
	<u>4,488,537</u>	<u>3,741,095</u>	<u>587</u>	<u>505</u>
	=====	=====	=====	=====

11. Other assets

In thousands of Leones/USD				
Advance to 3rd Party	505,244	195,792	66	27
Current account in transit	792,831	536,104	104	72
Other receivables from Donors	531,274	1,548,013	69	209
	<u>1,829,349</u>	<u>2,279,909</u>	<u>239</u>	<u>308</u>
	=====	=====	=====	=====

12. Donor funds

In thousands of Leones/USD				
Donor fund received in advance (13.1)	4,255,654	1,477,890	556	200
Deferred grant (14)	743,506	737,370	97	99
	<u>4,999,160</u>	<u>2,215,260</u>	<u>653</u>	<u>299</u>
	=====	=====	=====	=====

BRAC SIERRA LEONE

NOTES TO THE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12.1 Donor fund received in advance

In thousands of Leones/USD	SLL		USD	
	2017	2016	2017	2016
Opening balance	1,477,890	2,829,701	193	382
Donation received during the year	11,504,995	20,051,906	1,504	2,710
Adjustment for donation receivables	(1,548,013)	(1,253,442)	(202)	(169)
Transferred to deferred income-(investment in fixed asset)	(54,290)	(182,697)	(7)	(25)
Transferred to statement of income & expenditures	(7,656,201)	(19,819,648)	(1,001)	(2,678)
Fluctuation adjustment	-	(1,695,942)	-	(229)
Donation receivables	531,273	1,548,012	69	209
	<u>4,255,654</u>	<u>1,477,890</u>	<u>556</u>	<u>200</u>
	=====	=====	=====	=====

12.2 Donation received during the year

In thousands of Leones/USD	Note	SLL		USD	
		2017	2016	2017	2016
NOVO Foundation (ELA)		4,347,582	-	569	-
Trocaire (HRLE)		-	117,535	-	16
CRS (Malaria Phase)		1,723,059	701,472	225	95
Health Condition		-	51,374	-	7
WFP (IVS)		509,951	528,157	67	71
BRAC USA (ERPP)		803,824	(253,703)	105	(34)
BRAC USA (ELA)		535,791	-	70	-
Wold Vision (DFID)- Petty Trader		-	10,660,102	-	1,441
Comic Relief		1,235,232	3,124,107	161	422
UNICEF (ELA)		-	395,574	-	53
GFATM (CRS – Malaria)		-	694,612	-	94
BRAC USA(Research)		650,803	-	85	-
BRAC USA (Ebola Recovering)		-	1,170,598	-	158
BRAC UK(DEC)		800,825	582,107	105	79
BRAC UK(Pig Rearing)		682,215	892,538	89	121
World Bank (ELA)		-	1,143,715	-	154
Oxfam (DFID)- Ebola		215,713	243,718	28	33
		<u>11,504,995</u>	<u>20,051,906</u>	<u>1,504</u>	<u>2,710</u>
		=====	=====	=====	=====

BRAC SIERRA LEONE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12.3.Donor funds investment in fixed assets

	SLL		USD	
<i>In thousands of Leones/USD</i>	2017	2016	2017	2016
Opening balance	737,370	745,253	96	101
Transferred from grant received in advance account	54,290	182,697	7	24
Depreciation charged during the year	(48,154)	(153,386)	(6)	(21)
Disposal	-	(37,194)	-	-
Translation difference	-	-	-	(5)
Balance at 31 December	743,506	737,370	97	99
	=====	=====	=====	=====

13. Other payables

<i>In thousands of Leones/USD</i>				
Provision for audit fees	68,850	93,610	9	13
Bonus provision	94,757	57,491	12	8
BRAC Microfinance	507,181	1,307,748	66	177
Salary and other provisions	236,515	19,171	31	3
Self insurance fund	44,478	36,156	6	5
Revolving fund- health	-	278,768	-	38
Revolving fund- agriculture	-	68,369	-	9
Severance Allowance	109,470	105,264	14	14
Provisions for medical Benefit	136,083	20,091	19	2
Revolving Fund – P & L	-	24,225	-	3
Revolving Fund – New ELA	-	2,437	-	-
	1,197,334	2,013,360	157	272
	=====	=====	=====	=====

14. Cash flow from operating activities

<i>In thousands of Leones/USD</i>				
Excess of income over expenditure	(1,837,297)	374,903	(241)	51
Depreciation	182,696	200,206	24	27
Written off	-	37,194	-	5
Cash flow before changes in working capital	(1,654,601)	612,303	(215)	83
Changes in working capital:				
Changes in other assets	450,560	954,732	59	(129)
Changes in other payables	(816,026)	722,322	(108)	98
Changes in related party payables	29,919	1,646,255	4	222
	(1,990,149)	2,026,147	(260)	274
	=====	=====	=====	=====

BRAC SIERRA LEONE

NOTES TO THE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Related party

The organisation has a related party relationship with Stichting BRAC International and BRAC Bangladesh which provides management and administrative service to the organization.

Year-end balance arising from transactions with related party

	SLL		USD	
<i>In thousands of Leones/USD</i>	2017	2016	2017	2016
Payable to Stichting BRAC International	512,095	598,466	67	81
Payable to BRAC Bangladesh	4,539,482	4,423,193	593	598
	5,051,577	5,021,659	660	679
	=====	=====	=====	=====

Exchange rate used for the period:

	2017	2016
Average rate: 1 USD=SLL	7,586.67	6,573.75
Closing rate: 1 USD= SLL	7,650.00	7,400.00

There were no contingent liabilities at the financial position date. (2016: Nil)

16. Contingent liabilities

There were no contingent liabilities at the financial position date. (2016: Nil)

17. Capital commitments

There were no capital commitments at the financial position date. (2016: Nil)

18. Post balance sheet events

Events subsequent to the financial position date are disclosed only to the extent that they relate directly to the financial statements and their effect is material. As at the date of signing this set of financial statements, there were no material post balance sheet events.

BRAC SIERRA LEONE
NOTES TO THE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. STATEMENT OF COMPREHENSIVE INCOME (In thousands of Leones/USD)

	Country Office	Research & Evaluation	Total	CRS Malaria Phase-3	Comic-relief	WFP-IVS	Pig Rearing	Novo Foundation-USA-ELA	Emergency Preparedness	BRAC USA -ELA Research	Total
	SLL	SLL	SLL	SLL	SLL	SLL	SLL	SLL	SLL	SLL	SLL
<i>In Thousand of Leones</i>											
INCOME											
Grant Income (Grant received in advance)	435,875	-	435,875	1,439,83	1,635,797	441,863	665,242	2,724,474	172,639	140,928	7,656,201
Grant Income (Deferred grant for fixed assets)	-	-	-	1,111	44,519	-	-	1,544	980	-	48,154
BRAC Contribution	22,680	-	22,680	-	-	-	-	-	-	-	22,680
TOTAL INCOME	458,555	-	458,555	1,440,494	1,680,316	441,863	665,242	2,726,018	173,619	140,928	7,727,035

EXPENDITURE											
Salaries	986,183	393,261	1,379,445	318,162	627,904	280,074	227,194	531,320	105,838	-	3,469,937
Staff insurance	1,097	53	1,149	1,105	1,098	497	403	17,713	324	-	22,290
Medical Expenses	53,624	1,094	54,718	16,379	18,726	7,897	5,534	26,118	9,387	-	138,760
NASSIT Contribution	28,814	628	29,442	12,471	11,998	4,983	4,058	15,879	3,243	-	82,073
Staff Bonus	37,668	1,193	38,862	11,204	9,547	7,073	3,407	15,404	2,703	-	88,198
Severance Allowance	68,413	658	69,071	14,746	13,572	6,210	5,111	20,653	4,054	-	133,416
Training, workshops and seminars	15,844	-	15,844	739,488	306,623	-	8,126	535,313	17,654	-	1,623,048
Occupancy expenses	74,735	-	74,735	8,494	141,736	1,784	17,326	214,984	-	1,327	460,386
Professional & Legal fees	-	-	-	-	-	-	-	-	-	-	-
Stationery & Supplies	58,241	-	58,241	-	-	-	10,609	-	-	-	68,850
Audit fees	50,481	-	50,481	54,762	19,510	-	-	-	2,586	-	127,339
Maintenance and general expenses	119,032	9,352	128,384	25,421	62,105	19,274	28,496	128,722	4,979	4,263	401,643
Monitoring and Evaluation	-	3,002	3,002	48,842	32,577	-	43,838	-	-	-	128,258
Program supplies	12,940	78,997	91,937	6,508	345,791	40,623	225,031	1,010,176	5,168	118,614	1,843,848
Travel and transportation	99,707	31,686	131,392	124,683	36,474	46,279	86,111	208,192	16,702	16,725	666,559
HO logistic expenses	(46,213)	-	(46,213)	57,118	8,138	27,169	-	-	-	-	46,213
Depreciation	131,758	2,784	134,542	1,111	44,519	-	-	1,544	980	-	182,696
TOTAL EXPENSES	1,692,325	522,708	2,215,033	1,440,094	1,680,316	441,863	665,242	2,726,018	173,619	140,928	9,483,513
Net surplus/(loss)	(1,233,770)	(522,708)	(1,756,479)	-	-	-	-	-	-	-	(1,756,479)
Foreign exchange(Loss)/Gain unrealized	(80,818)	-	(80,818)	-	-	-	-	-	-	-	(80,818)
Net surplus/ (loss) for the year	(1,314,588)	(522,708)	(1,837,297)	-	-	-	-	-	-	-	(1,837,297)

BRAC SIERRA LEONE
NOTES TO THE STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. STATEMENT OF COMPREHENSIVE INCOME (In thousands of Leones/USD)

	Country Office	Research & Evaluation	Total	CRS Malaria Phase-3	Comic-relief	WFP-IVS	Pig Rearing	Novo Foundation-USA-ELA	Emergency Preparedness	BRAC USA -ELA Research	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<i>In Thousand of USD</i>											
INCOME											
Grant Income (Grant received in advance)	56,977	-	56,977	188,155	213,830	57,760	89,960	356,140	22,567	18,422	1,000,811
Grant Income (Deferred grant for fixed assets)	-	-	-	145	5,819	-	-	202	128	-	6,295
BRAC Contribution	2,965	-	2,965	-	-	-	-	-	-	-	2,965
TOTAL INCOME	59,942	-	59,942	188,300	219,649	57,760	86,960	356,342	22,695	18,422	1,010,070

EXPENDITURE											
Salaries	128,913	51,407	180,320	41,590	82,079	36,611	29,699	69,454	13,835	-	453,587
Staff insurance	143	7	150	144	144	65	53	2,315	42	-	2,914
Medical Expenses	7,010	143	7,153	2,141	2,448	1,032	723	3,414	1,227	-	18,139
NASSIT Contribution	3,767	82	3,849	1,630	1,568	651	530	2,076	424	-	10,728
Staff Bonus	4,924	156	5,080	1,465	1,248	925	445	2,014	353	-	11,529
Severance Allowance	8,943	86	9,029	1,928	1,774	812	668	2,700	530	-	17,440
Training, workshops and seminars	2,071	-	2,071	96,665	40,081	-	1,062	69,976	2,308	-	212,163
Occupancy expenses	9,769	-	9,769	1,110	18,528	233	2,265	28,102	-	173	60,181
Professional & Legal fees	-	-	-	-	-	-	-	-	-	-	-
Stationery & Supplies	7,613	-	7,613	-	-	-	1,387	-	-	-	9,000
Audit fees	6,599	-	6,599	7,158	2,550	-	-	-	338	-	16,646
Maintenance and general expenses	15,560	1,222	16,782	3,323	8,118	2,520	3,725	16,826	651	-	52,502
Monitoring and Evaluation	-	392	392	6,385	4,258	-	5,730	-	-	557	16,766
Program supplies	1,692	10,326	12,018	851	45,201	5,310	29,416	132,049	676	15,505	241,026
Travel and transportation	13,034	4,142	17,175	16,298	4,768	6,050	11,256	27,215	2,183	2,186	87,132
HO logistic expenses	(6,041)	-	(6,041)	7,466	1,064	3,552	-	-	-	-	6,041
Depreciation	17,223	364	17,587	145	5,819	-	-	202	128	-	23,882
TOTAL EXPENSES	221,219	68,328	289,547	188,300	219,649	57,760	86,960	356,342	22,695	18,422	1,239,675
Net surplus/(loss)	(161,277)	(68,323)	(229,605)	-	-	-	-	-	-	-	(229,605)
Foreign exchange(Loss)/Gain unrealized	(10,564)	-	(10,564)	-	-	-	-	-	-	-	(10,564)
Net surplus/ (loss) for the year	(171,842)	(68,328)	(240,170)	-	-	-	-	-	-	-	(240,170)

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

Directors	:	Mr Faruque Ahmed	-	Chairperson
		Mr Shameran Bahar Abed	-	Director
		Ms Lamia Rashid	-	Director
		Mr Saif Md Imran Siddique	-	Director
		Ms Kate Murphy	-	Director
				(Resigned on 31 October 2017)
		Mr Tapan Kumar Karmaker	-	Managing Director
				(Resigned on 4 February 2018)
		Rakibul Bari Khan	-	Managing Director
				(Appointed on 4 February 2018)

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
Guaranty Trust Bank(SL) Ltd
Community Bank
Sierra Leone Com. Bank Ltd.
United Bank of Africa
Union Trust Bank Ltd.
Yoni Community Bank
Zenith Bank (SL) Ltd.

Auditors : KPMG
Chartered Accountants
KPMG 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 2017.

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 2017 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 7.7 billion for the year ended 31 December 2017, (2016: profit of SLL 0.84 billion).

Directors and their interest

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

Property and equipment

Details of the Company's property and equipment are shown in note 17 to the financial statements

Employment of disabled people

BRAC Microfinance (SL) Limited is an equal opportunity employer and adheres strictly to the principle of meritocracy and fairness in all making. Discrimination of any individual employee or group of employees on the basis of sex, nationality or religion by another employee of group of employee, if proven, will be regarded as a sanction able offence. There were no disabled people in employment of the Company as at 31 December 2017.

Health, safety and welfare at work

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

Employee involvement and training

BRAC Microfinance (SL) Limited is committed to the smooth progression of its employees to meet current and future needs of the Company and career aspirations of employees. The Company has a career track to ensure that progression of appropriately skilled and experienced employees meet current and future needs of the Company and its employees. Training and development in BRAC Microfinance (SL) Limited is a continuous, formal process of improving individual performance and competency. Training serves as a vehicle for the transfer and development of requisite skills and aims at building up an empowered workforce. Annual training plans are developed to align with the Company strategy and design to support specific performance objectives for each year.


The Board Members

The following members served during the year:
Mr Faruque Ahmed
Mr Shameran Abed
Ms Lamia Rashid
Mr Saif Md Imran Siddique
Ms Kate Murphy (Resigned on 31 October 2017)
Mr Tapan Kumar Karmaker(Resigned on 4 February 2018) Mr. Rakibul Bari Khan (Appointed on 4 February 2018)
Mr Rakibul Bari Khan (Appointed on 4 February 2018)

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 KPMG 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 10 March, 2018.


Chairperson


Director


Director


Managing Director



KPMG Sierra Leone
KPMG House
37 Siaka Stevens Street
P. O. Box 100
Freetown
Sierra Leone

Telephone: 232-22-222 061/2
Telefax: 232-22-228149
Email: kpmg@kpmg-sl.com



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.

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

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

Other matter

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

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

Freetown

Chartered Accountants

Date: 10 March, 2018

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 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 32.

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 2017, 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.

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

BRAC MICROFINANCE (SL) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT YEAR ENDED 31 DECEMBER 2017


Assets					
In thousands of Leones/USD	Notes	SLL		USD	
		2017	2016	2017	2016
Cash and cash equivalents	13	5,151,330	6,114,268	673	826
Loans and advances to customers	14	37,509,640	25,249,031	4,903	3,412
Other assets	15	1,025,271	1,728,339	134	236
Current tax assets	12(b)	434,320	-	57	-
Intangible assets	16	388,829	-	51	-
Property and equipment	17	867,758	478,325	113	65
Deferred tax asset		3,206,444	-	419	-
Total assets		48,583,592	33,569,963	6,350	4,539
=====					
Liabilities					
Loan security funds	18	6,686,855	4,527,995	874	612
Related party payables	19	7,357,128	6,279,471	961	849
Borrowings	20	1,387,853	1,462,566	181	198
Other liabilities	21	1,721,011	1,234,588	225	167
Current tax liability	12b	-	25,556	-	4
Total liabilities		17,152,847	13,530,176	2,241	1,830
Capital fund					
Share capital	23(a)	12,244,890	12,244,890	1,601	1,655
Share premium	23(b)	3,825,000	-	500	-
Donor funds	22	118,500	7,389,136	15	999
Retained earnings	24	(4,963,252)	(12,668,883)	(649)	(1,712)
Donated equity	25	20,205,607	13,074,644	2,642	1,767
Total capital fund		31,430,745	20,039,787	4,109	2,709
Total liabilities and capital fund		48,583,592	33,569,963	6,350	4,539
=====					

These financial statements were approved by the Board of Directors on 10 March, 2018.


Head of finance


Managing Director


Director


Director

The notes on pages 68 to 82 are an integral part of these financial statements

BRAC MICROFINANCE (SL) LIMITED

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

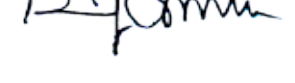
In thousands of Leones/USD	Notes	SLL		USD	
		2017	2016	2017	2016
Service charge on loans	5	18,180,280	9,446,761	2,377	1,277
Net income from service charge		18,180,280	9,446,761	2,377	1,277
Membership fees and other fees	6	870,222	582,908	114	79
Other income	7	322,931	1,507,084	42	204
Grant income	8	741,978	957,459	97	129
Total operating income		20,115,411	12,494,212	2,630	1,689
Net impairment loss on loans and advances to customers	9	(1,112,621)	(910,641)	(145)	(123)
Operating income after impairment charges		19,002,790	11,583,571	2,485	1,566
Staff costs	10	(8,165,679)	(5,928,573)	(1,067)	(801)
Other operating expenses	11	(5,387,891)	(4,304,369)	(704)	(582)
Depreciation and amortization	16 & 17	(194,082)	(90,091)	(25)	(12)
Total operating expenditures		(13,747,652)	(10,323,033)	(1,796)	(1,395)
Profit / (loss) before income tax		5,255,138	1,260,538	689	171
Income tax expense	12a	2,622,165	(87,813)	343	(12)
Net profit for the year		7,877,303	1,172,725	1,032	159
Other comprehensive income:					
Exchange gain or loss					
Unrealized exchange loss		(171,672)	(332,972)	(25)	(45)
Other comprehensive profit for the year		(171,672)	(332,972)	(25)	(45)
Total comprehensive profit / (loss) for the year		7,705,631	839,753	1,007	114
=====					

These financial statements were approved by the Board of Directors on 10 March, 2018.


Head of finance


Managing Director


Director


Director

The notes on pages 68 to 82 are an integral part of these financial statements

BRAC MICROFINANCE (SL) LIMITED

STATEMENTS OF CHNAGES EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

<i>In thousands of Leones/USD</i>	Share capital SLL	Share premium SLL	Donar funds SLL	Retained earnings SLL	Donated equity SLL	Total capital fund SLL	Total capital fund USD
At 1 January 2017	12,244,890	-	7,389,136	(12,688,883)	13,074,644	20,039,787	2,709
Donation received during the year	-	-	602,305	-	-	602,305	79
Share premium	-	3,825,000	-	-	-	3,825,000	500
Recognised as grant income during the year	-	-	(741,978)	-	-	(741,978)	(97)
Profit for the year	-	-	-	7,877,303	-	7,877,303	1,032
Unrealized exchange loss	-	-	-	(171,672)	-	(171,672)	(25)
Transferred to donated equity	-	-	(7,130,963)	-	7,130,963	-	-
Tranlation adjustment	-	-	-	-	-	-	(89)
At 31 December 2017	12,244,890	3,825,000	118,500	(4,963,252)	20,205,607	31,430,745	4,109
At 1 January 2016	12,244,890	-	2,357,622	(13,508,636)	6,940,074	8,033,950	1,440
Donation received during the year	-	-	5,988,973	-	6,134,570	12,123,543	1,638
Recognized as grant income during the year	-	-	(957,459)	-	-	(957,459)	(129)
Profit for the year	-	-	-	1,172,724	-	1,172,724	159
Unrealized exchange loss	-	-	-	(332,971)	-	(332,971)	(45)
Translation adjustment	-	-	-	-	-	-	(354)
At 31 December 2016	12,244,890	-	7,389,136	(12,688,883)	13,074,644	20,039,787	2,709

The notes on pages 68 to 82 are an integral part of these financial statements

BRAC MICROFINANCE (SL) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

<i>In thousands of Leones/USD</i>	Notes	2017	SLL 2016	USD 2017	2016
Cash flow from operating activities	26	6,928,885	3,043,276	880	412
Loan disbursements		(71,882,000)	(47,684,075)	(9,396)	(6,444)
Loan collection		59,193,047	36,597,686	7,738	4,946
Loan write off (P)		-	-	-	-
Interest receivable written-off		-	(15,016)	-	(2)
Net cash flow from operating		(5,760,068)	(8,058,129)	(778)	(1,088)
Cash flow from investing activities					
Acquisition of property and equipment		(972,344)	(171,661)	(127)	(23)
Net cash flow from investing activities		(972,344)	(171,661)	(127)	(23)
Cash flows from financing activities					
Changes in borrowings		(74,713)	(197,542)	(10)	(27)
Changes in loan security fund		2,158,860	1,448,380	282	196
Loan security fund written off		-	-	-	-
Changes in donor fund		(7,270,637)	5,031,514	(951)	680
Increase in share premium		3,825,000	-	498	-
Changes in donated equity		7,130,964	6,134,570	931	829
Net cash from financing activities		5,769,474	12,416,922	750	1,678
Net increase/ (decrease) in cash and cash equivalents		(962,938)	4,187,132	(155)	613
Cash and cash equivalents at 1 January		6,114,268	1,927,136	826	346
Translation adjustment		-	-	(2)	(133)
Cash and cash equiavlents at the end of the year/period	13	5,151,330	6,114,268	673	826
		=====	=====	=====	=====

The notes on pages 68 to 82 are an integral part of these financial statements

1. Reporting entity

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Fundamental and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes 14.2: Impairment allowance for loan losses.

3. Significant accounting policies

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

(a) Foreign currency

Foreign currency transactions and conversions

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

(b) Service charge on loan

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

(c) Other income

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

(d) Fees and commission income

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

(e) Administrative expenses

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

(f) Cash and cash equivalents

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

(g) Property and equipment (operating assets)

(i) Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

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

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

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

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

(iv) Disposals

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

(h) Financial assets

Loans and advances to Customers

a) Loans originated by the Company by providing finance directly to borrowers, is categorized as loans to group members and is carried at amortised cost, which is defined as fair value of cash consideration given to originate those loans as is determinable by reference to market prices at origination date, and subsequently measured at the original effective interest rate at reporting date. All loans and advances are recognized when cash is advanced to borrowers.

b) BRAC Microfinance (SL) Limited generally provides for an allowance for loan impairment at 2% of loan disbursements made. Management regularly assess the adequacy of allowance for impairment based on the age of the loan portfolio. At year end BRAC Microfinance (SL) Limited calculate the required provision for loan losses based on loan classification and provisioning methodology which is shown below and any adjustment, if required are made and accounted for in the financial statement for the year

Loan classification	Days in Arrear	Provision required
Standard	No arrear	2%
Watch list	1-30	5%
Substandard	31-180	20%
Doubtful	181-350	75%
Loss	350+	100%

c) 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.

(i) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- (i) Significant financial difficulty of the issuer or obligor;
- (ii) A breach of contract, such as a default or delinquency in interest or principal payments.

The Company first assesses whether objective evidence of impairment exists individually and collectively. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

BRAC MICROFINANCE (SL) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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.

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 utilizes. 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 FOR THE YEAR ENDED 31 DECEMBER 2017

Notes to the financial statements (continued)

5.	Service charge on loans <i>In thousands of Leones/USD</i>	SLL		USD	
		2017	2016	2017	2016
	Group Loan (Microfinance)	10,642,358	6,402,149	1,391	865
	Small enterprises Program	7,511,084	2,914,264	982	394
	ELA and Comic Relief	7,108	37,802	1	5
	Petty Traders	19,730	92,546	3	13
		18,180,280	9,446,761	2,377	1,277
		=====	=====	=====	=====
6.	Membership and other fees <i>In thousands of Leones / USD</i>				
	Loan appraisal fee	718,026	456,581	94	62
	Membership fee	132,993	115,299	17	16
	Loan application fee	19,203	11,028	3	1
	Others	-	-	-	-
		870,222	582,908	114	79
		=====	=====	=====	=====
7.	Other income <i>In thousands of Leones / USD</i>				
	Gain due to early repayment	305,101	1,417,012	40	191
	Bank interest	-	668	-	1
	Other income	17,830	89,404	2	12
		322,931	1,507,084	42	204
		=====	=====	=====	=====
8.	Grant income <i>In thousands of Leones / USD</i>				
	Transferred to statement of income and expenses	710,870	941,059	93	127
	Transferred from deferred grant (depreciation)	31,108	16,400	4	2
		741,978	957,459	97	129
		=====	=====	=====	=====
9.	Impairment losses on loans <i>In thousands of Leones / USD</i>				
	General Provision & specific	1,112,621	910,641	145	123
		1,112,621	910,641	145	123
		=====	=====	=====	=====

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes to the financial statements (continued)

	SLL		USD	
	2017	2016	2017	2016
10. Staff costs				
<i>In thousands of Leones/USD</i>				
Salaries & benefits	6,726,896	5,018,568	879	678
Bonus Cost	213,405	120,889	28	16
Severance Allowance Cost	647,956	176,682	85	24
NASSIT Cost	203,861	143,875	26	20
Insurance Cost	20,024	17,103	3	2
Medical Expenses	24,638	42,184	3	6
Salaries and Benefits (Rockefeller)	328,899	409,272	43	55
	<u>8,165,679</u>	<u>5,928,573</u>	<u>1,067</u>	<u>801</u>
11. Other operating expenses				
<i>In thousands of Leones/USD</i>				
Occupancy expenses (Note-11)	1,053,997	819,546	138	111
Staff training and Development	51,047	114,353	7	15
Travel and Transportation	1,439,194	1,003,231	188	136
Maintenance and general expenses	730,549	672,136	95	91
Printing and Office Stationery	505,161	407,657	66	55
Legal and professional fees	71,682	19,632	9	16
Audit fees	103,641	112,758	14	15
HO logistics & management expenses	878,789	724,791	115	98
Software maintenance cost (ERP)	147,905	-	19	-
Internal capacity strengthening (Rockefeller)	239,724	149,965	31	20
Mobile money scoping and pilot (Rockefeller)	128,437	9,490	17	1
Research action	37,765	170,810	5	24
	<u>5,387,891</u>	<u>4,204,369</u>	<u>704</u>	<u>582</u>
11. Occupancy expenses				
<i>In thousands of Leones/USD</i>				
Rent	568,275	521,546	74	71
Utilities	485,722	298,000	64	40
	<u>1,053,997</u>	<u>819,546</u>	<u>138</u>	<u>111</u>
12. Taxation				
12(a) Tax expense				
Recognised in the income statement				
Income tax expense	584,279	87,813	76	12
Deferred tax credit	(3,206,444)	-	(419)	-
	<u>(2,622,165)</u>	<u>87,813</u>	<u>(343)</u>	<u>12</u>

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes to the financial statements (continued)

12(b) Income tax account

	SLL		USD	
	2017	2016	2017	2016
<i>In thousands of Leones/USD</i>				
Opening balance	(25,556)	62,257	(4)	11
Corporation tax charge	(584,279)	(87,813)	(76)	(12)
Payment during the period	1,044,155	-	136	-
Translation difference	-	-	9	(3)
Current tax (liability)/ asset	<u>434,320</u>	<u>(25,556)</u>	<u>57</u>	<u>(4)</u>
Reconciliation of effective tax rate				
Profit before income tax	<u>5,255,138</u>	<u>1,260,538</u>	<u>687</u>	<u>171</u>
Income tax on profit before tax	<u>1,576,542</u>	<u>378,161</u>	<u>205</u>	<u>51</u>
Tax impact of permanent difference:				
Tax incentives	(7,550)	(2,372)	1	-
Deferred tax asset not recognised	(4,191,157)	(287,976)	(549)	(39)
	<u>(2,622,165)</u>	<u>87,813</u>	<u>(343)</u>	<u>12</u>

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

Recognised deferred tax asset and liabilities

	2017			2016		
<i>In thousands of Leones</i>	Asset	Liability	Net	Asset	Liability	Net
Property and Equipment	-	56,518	56,518	-	16,033	16,033
Impairment allowance	(153,426)	-	(153,426)	(147,530)	-	(147,530)
Tax loss carried forward	(3,109,536)	-	(3,109,536)	(3,693,815)	-	(3,693,815)
Unrealised exchange	-	-	-	(365,845)	-	(365,845)
Loss	-	-	-	(365,845)	-	(365,845)
Deferred tax asset not recognized	-	-	-	4,191,157	-	4,191,157
	<u>(3,262,962)</u>	<u>56,518</u>	<u>(3,206,444)</u>	<u>(16,033)</u>	<u>16,033</u>	<u>-</u>

Movement in temporary differences during the year - 2017

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
<i>In thousands of Leones</i>				
Property and equipment	16,033	40,485	-	56,518
Impairment allowance	(147,530)	(5,896)	-	(153,426)
Tax loss carried forward	(3,693,815)	584,279	-	(3,109,536)
Unrealised exchange loss	(365,845)	365,845	-	-
Deferred tax asset not recognised	4,191,157	(4,191,157)	-	-
	<u>-</u>	<u>(3,206,444)</u>	<u>-</u>	<u>(3,206,444)</u>

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Cash and cash equivalents

<i>In thousands of Leones</i>	SLL		USD	
	2017	2016	2017	2016
Cash at bank	4,977,509	6,008,675	650	812
Cash in hand	173,821	105,593	23	14
	<u>5,151,330</u>	<u>6,114,268</u>	<u>673</u>	<u>826</u>
	=====	=====	=====	=====
13.1 Cash at Bank				
Community Bank	76,173	28,481	10	4
Eco Bank SL Ltd.	-	-	-	-
First Int. Bank (SL) Ltd.	3,589,685	1,017,892	338	138
Rokel Com. Bank SL Ltd.	43,049	7,259	6	1
Guaranty Trust Bank (SL) Ltd	37,926	353,933	5	48
Sierra Leone Com. Bank Ltd.	-	906	-	-
United Bank of Africa	-	69,909	-	10
Union Trust Bank Ltd.	307,352	186,920	40	25
Yoni Community Bank	137,423	45,897	18	6
Zenith Bank (SL) Ltd.	93,095	30,516	12	4
Standard Chartered Bank (USD)	676,203	3,952,833	219	534
Standard Chartered Bank (SL) Ltd.	16,603	314,124	2	42
	<u>4,977,509</u>	<u>6,008,675</u>	<u>650</u>	<u>812</u>
	=====	=====	=====	=====

14. Loans and advances to customers

Group loans	20,014,267	14,540,530	2,616	1,965
Small enterprises program	19,024,577	11,998,527	2,487	1,621
ELA Loans	19,643	21,953	3	3
Petty traders	373,776	626,558	49	85
Comic relief	46,895	29,776	6	4
Loan written-off (P)	(975,084)	(427,139)	(128)	(58)
Interest receivables	1,075,511	406,250	141	55
Interest receivables written-off	(117,882)	(15,016)	(16)	(2)
Impairment loss on loans and advances	(1,952,063)	(1,932,408)	(255)	(261)
	<u>37,509,640</u>	<u>25,249,031</u>	<u>4,903</u>	<u>3,412</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.

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Notes to the financial statements (continued)

14. Loans and advance to customers (continued)

14.1 Movement on the loan account

<i>In thousands of Leones/USD</i>	SLL		USD	
	2017	2016	2017	2016
Opening balance	26,790,205	16,130,955	3,502	2,892
Loan disbursed	71,882,000	47,684,075	9,396	6,444
Loan repayments (P)	(59,193,047)	(36,597,686)	(7,738)	(4,946)
Translation difference	-	-	-	(712)
	<u>39,479,158</u>	<u>27,217,344</u>	<u>5,159</u>	<u>3,678</u>
Gross loans to customers	39,479,158	27,217,344	5,159	3,678
Principal Written-off (P)	(975,084)	(427,139)	(127)	(58)
Interest receivable	1,075,511	406,250	141	55
Interest receivables: written off	(117,882)	(15,016)	(15)	(2)
Impairment loss on loans advance	(1,952,063)	(1,932,408)	(255)	(261)
	<u>37,509,640</u>	<u>25,249,031</u>	<u>4,903</u>	<u>3,412</u>
	=====	=====	=====	=====

14.2 Movement on the impairment on loans

Opening balance	1,932,408	1,463,922	254	262
Charge for the year	1,112,621	910,641	145	123
Loan written-off	(975,084)	(427,139)	(127)	(58)
Interest receivables written-off	(117,882)	(15,016)	-	(2)
Translation difference	-	-	(15)	(63)
	<u>1,952,063</u>	<u>1,932,408</u>	<u>255</u>	<u>262</u>
	=====	=====	=====	=====

14.3 Analysis of impairment of loans

<i>In thousands of Leones/USD</i>	Principal outstanding SLL	Provision rate %	Provision required SLL
For General provision			
No past due	36,683,221	2%	733,664
For specific provision:			
1-30 days	405,872	5%	20,294
31-180 days	228,999	20%	45,800
181-365 days	134,708	75%	101,031
366 days and above past due	1,051,274	100%	1,051,274
Petty traders outstanding	-		-
	<u>1,820,853</u>		<u>1,218,399</u>
	<u>38,504,074</u>		<u>1,952,063</u>
	=====		=====

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Other assets

	SLL		USD	
<i>In thousands of Leones/USD</i>	2017	2016	2017	2016
Advance to third party	286,354	239,664	37	32
Receivable from BRAC SL	507,181	1,307,748	66	177
Other Receivables	97,479	7,017	13	1
Inventory - Passbook	57,678	20,370	8	3
Current account in transit	76,579	153,540	10	23
	<u>1,025,271</u>	<u>1,728,339</u>	<u>134</u>	<u>236</u>

16. Intangible assets:

Cost of software developmen and purchase ERP	434,042	-	57	-
Acculated amortisation				
Amortisation (25%)	(45,213)	-	(6)	-
	<u>388,829</u>	<u>-</u>	<u>51</u>	<u>-</u>
	=====	=====	===	==

17. Property and equipment

	Motor vehicles	Furniture	Equipment	Total	Total
<i>In thousands of Leones/USD</i>	SLL	SLL	SLL	SLL	USD
Cost					
1 January 2017	169,965	569,466	639,348	1,378,779	186
Additions	374,961	34,910	128,431	538,302	70
Translation difference	-	-	-	-	(6)
31 December 2017	544,926	604,376	767,779	1,917,081	250
=====					
1 January 2016	173,760	562,682	470,677	207,118	216
Additions	-	13,520	158,141	171,661	23
Adjustment	(3,795)	(6,735)	10,530	-	-
Translation difference	-	-	-	-	(53)
31 December 2016	169,965	569,466	639,348	1,378,779	186
=====					
Accumulated depreciation					
1 January 2017	167,126	303,716	429,612	900,454	121
Charge for the year	14,298	58,044	76,528	148,869	19
Translation difference	-	-	-	-	(4)
	<u>181,424</u>	<u>361,760</u>	<u>506,140</u>	<u>1,049,323</u>	<u>136</u>
=====					
31 December 2017					
At 1 January 2016	173,473	283,363	398,527	810,363	145
Charge for the year	7,728	56,234	62,457	126,419	17
Adjustment	(14,075)	9,119	(31,372)	(36,328)	(5)
Translation difference	-	-	-	-	(35)
At 31 December 2016	167,126	303,716	429,612	900,454	121
=====					
Net book value:					
31 December 2017	363,502	242,616	261,639	867,758	113
=====					
31 December 2016	2,839	265,750	209,736	478,325	65
=====					

BRAC MICROFINANCE (SL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. Loan security fund

	SLL		USD	
<i>In thousands of Leones/USD</i>	2017	2016	2017	2016
Opening balance	4,527,995	3,079,615	612	552
Received during the year	3,864,080	2,340,810	505	316
Paid off/Adjusted during the year	(1,705,220)	(892,431)	(223)	(121)
Translation difference	-	-	(20)	(135)
	<u>6,686,885</u>	<u>4,527,995</u>	<u>874</u>	<u>612</u>
	=====	=====	=====	=====

The Loan security fund acts as 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.

19. Related party payables

	SLL		USD	
<i>In thousands of Leones/USD</i>	2017	2016	2017	2016
Payable to Stitching BRAC Bangladesh	1,427,638	1,427,638	187	193
Payable to BRAC IT service limited	453,905	-	59	-
Payable to BRAC Bangladesh	4,325,735	4,136,385	565	559
Payable to BRAC International Holdings B.V	1,149,850	715,448	150	97
	<u>7,357,128</u>	<u>6,279,471</u>	<u>961</u>	<u>849</u>

20. Borrowings from KiVA (at 0% interest)

Opening balance	1,462,566	1,660,108	198	298
Received during the year	441,601	-	58	-
Interest payable	-	-	-	-
Paid during the year	(564,289)	630,000	(75)	(100)
Foreign Exchange adjustment	47,975	432,458	-	-
	<u>1,387,853</u>	<u>1,462,566</u>	<u>181</u>	<u>198</u>
	=====	=====	=====	=====

21. Other liabilities

Accrued expenses	270,066	3,855	35	1
Provision for audit fees	101,363	112,758	13	15
Salary provision	93,483	355,940	12	48
Self- insurance fund	30,196	32,175	4	4
Bonus Provision	16,805	28,401	2	4
Severance allowance provision	1,146,860	659,275	150	89
Provision for Medical benefit	-	42,184	-	6
Nassit provision	2,691	-	-	-
Withholding tax	59,547	-	8	-
	<u>1,721,011</u>	<u>1,234,588</u>	<u>225</u>	<u>167</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. Donor funds

22.1 Donor fund received in advance

22.1.1 Donation received during the year

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22.3 Donor funds investments in loan to group members

23. Capital

Name and percentage of holdings

On 31 October 2017, Soros Economic Development Fund, owner of 24.5% shares in BRAC Microfinance (SL) Ltd transferred its shares to BRAC USA Inc. Thereafter, BRAC USA Inc. transferred the same to stichting BRAC International, Stichting BRAC International transferred its shares unto BRAC International Holdings B.V.

During 2017, 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 2017

24. Retained earnings

		SLL		USD
<i>In thousands of Leones/USD</i>	2017	2016	2017	2016
Opening balance	(12,668,883)	(13,508,636)	(1,712)	(2,422)
Profit for the year	7,705.631	839,753	1,010	114
Translation adjustment	-	-	53	596
	=====	=====	=====	=====
	(4,963,252)	(12,668,883)	(649)	(1,712)
	=====	=====	=====	=====

25. Donated equity

Opening balance	13,074,644	6,940,074	1,767	1,244
Received during the year	-	6,134,570	-	829
Transferred from Donor Fund	7,130,963	-	932	-
Translation adjustment	-	-	(57)	(306)
	=====	=====	=====	=====
	20,205,607	13,074,644	2,642	1,767
	=====	=====	=====	=====

26. Cash flow from operating activities

Profit / (loss) for the year	7,705,631	839,753	1,007	114
Depreciation	194,082	90,091	25	12
Loan loss provision	1,112,621	910,641	145	123
Tax credit/ (expense)	(2,622,165)	87,813	(343)	12
	=====	=====	=====	=====
Cash flow before changes in working capital	6,390,169	1,928,298	834	261
Income tax paid	(584,279)	-	(76)	-
Changes in working capital				
Decrease/increase of receivables and other current assets	268,748	(572,870)	45	(77)
Decrease/increase of interest receivables	(684,277)	(242,297)	(89)	(33)
Increase/ decrease of current liabilities	460,867	436,706	54	167
Increase/decrease of related related party payables	1,077,657	1,493,439	112	848
	=====	=====	=====	=====
Net cash from operations	6,928,885	3,043,276	880	1,166
	=====	=====	=====	=====

Exchange rate used for the period:

	2017	2016
Average rate: 1 USD = SLL	7,586.67	6,573.75
Closing rate: 1 USD = SLL	7,650.00	7,400.00

27. Contingencies

There were no contingent assets or liabilities at 31 December 2017 (2016: Nil).

28. Capital commitments

There were no capital commitments as at 31 December 2017 (2016: Nil).

29. Post balance sheet events

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

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