

**Ag. Director, Accounts and
Budget Department:**

Mr. Abdul Aziz Sowe

Solicitors:

Renner-Thomas & Co.
Adele Chambers
15 Wilberforce Street
Freetown

Auditors

KPMG
Chartered Accountants
Bicentenary House
17 Wallace Johnson Street
Freetown

Registered Office

Siaka Stevens Street
Freetown

Statement of Directors' Responsibilities

The Bank of Sierra Leone Act 2000 requires the Directors of the Bank to prepare and forward to the Minister of Finance and Economic Development (MOFED) financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the year then ended.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its operations.

The Directors are responsible for keeping proper records which disclose with reasonable accuracy at any time, the financial position of the bank and to enable them to ensure that the financial statements should include a summary of significant financial accounting policies and other explanatory notes in accordance with international financial reporting standards and the Bank of Sierra Leone Act 2000. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors and their Interests

The following were Directors of the Bank as at 31st December 2010

Mr. S.S. Sesay	-	Governor	(appointed July 1, 2009)
Ms. A. R. Coker	-	Deputy Governor	(appointed October 6, 2008)
Dr. S. A. Bockarie	-	Director	(appointed April 22, 2008)
Mr. D. F. Shears	-	Director	(appointed April 22, 2008)

Mr. H. Hanciles	-	Director	(appointed April 22, 2008)
Dr. Morie K. Manyeh	-	Director	(appointed April 22, 2008)
Mrs. M. Kamara	-	Director	(appointed April 29, 2008)

The Governor and Deputy Governor, who were appointed on 1st July, 2009 and October 6th 2008 respectively, shall each be appointed for a term not exceeding five years and shall be eligible for re-appointment.

The other Directors hold offices for three years and shall be eligible for re-appointment.

No Director had, during the year, had a material interest in any contract or arrangement of significance to which the bank was or is a party.

Auditors

The Auditors, Messrs KPMG were appointed in March 2011 to conduct the audit of the financial statements for the year ending 31st December 2010.

**Bank of Sierra Leone Financial Statements
for the year ended 31 December 2010**

General information

Board of directors	:	Mr. Sheku S. Sesay - Governor Ms. Andrina R. Coker - Deputy Governor Dr Morie K. Manyeh Dr Sandy A. Bockarie Mr. Dalton F. Shears Mr. Harold Hanciles Mrs. Marian Kamara
Registered office	:	30 Siaka Stevens Street Freetown
Solicitor	:	Renner-Thomas & Co. Adele Chambers 15 Lamina Sankoh Street Freetown
Secretary to the board	:	Mr. Henry E.P Musah
Auditors	:	KPMG Chartered Accountants Bicentenary House 17 Wallace Johnson Street Freetown Sierra Leone

Financial Position and Operating Results of the Bank for the Year ended 31st December, 2010

BACKGROUND

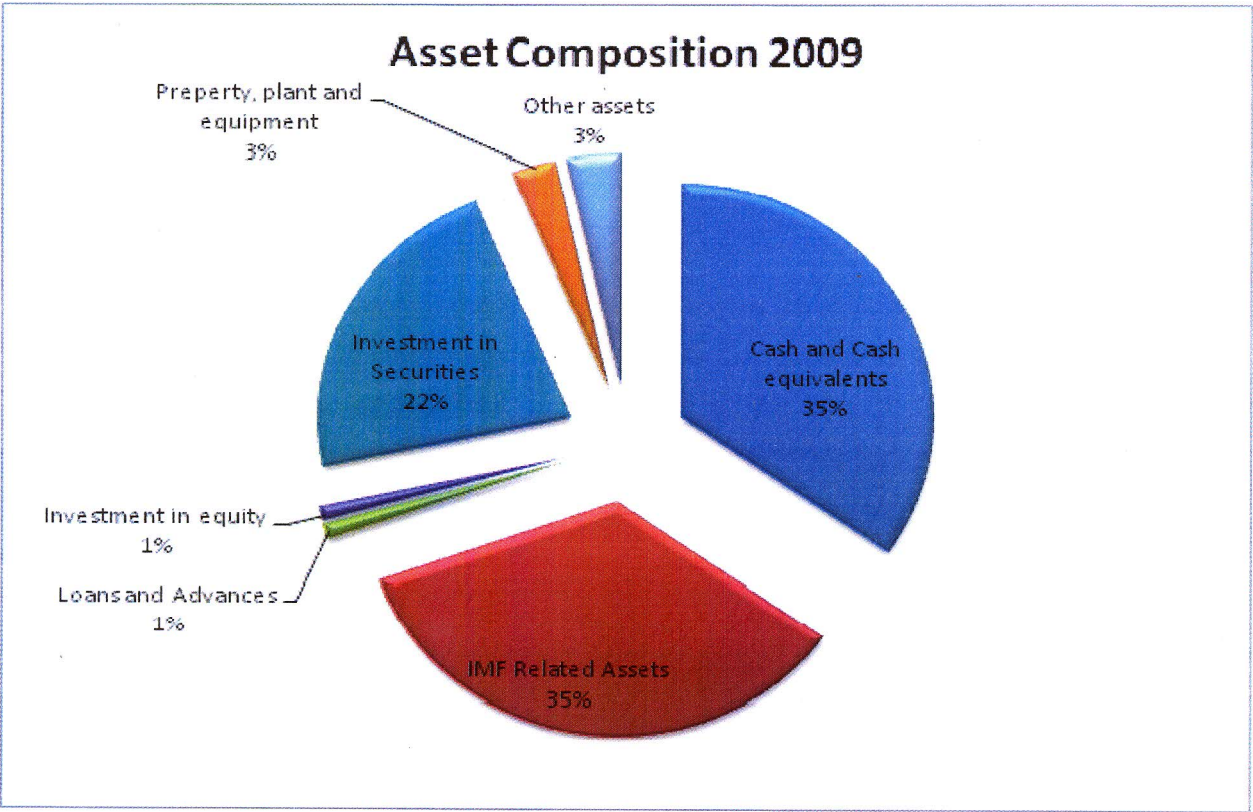
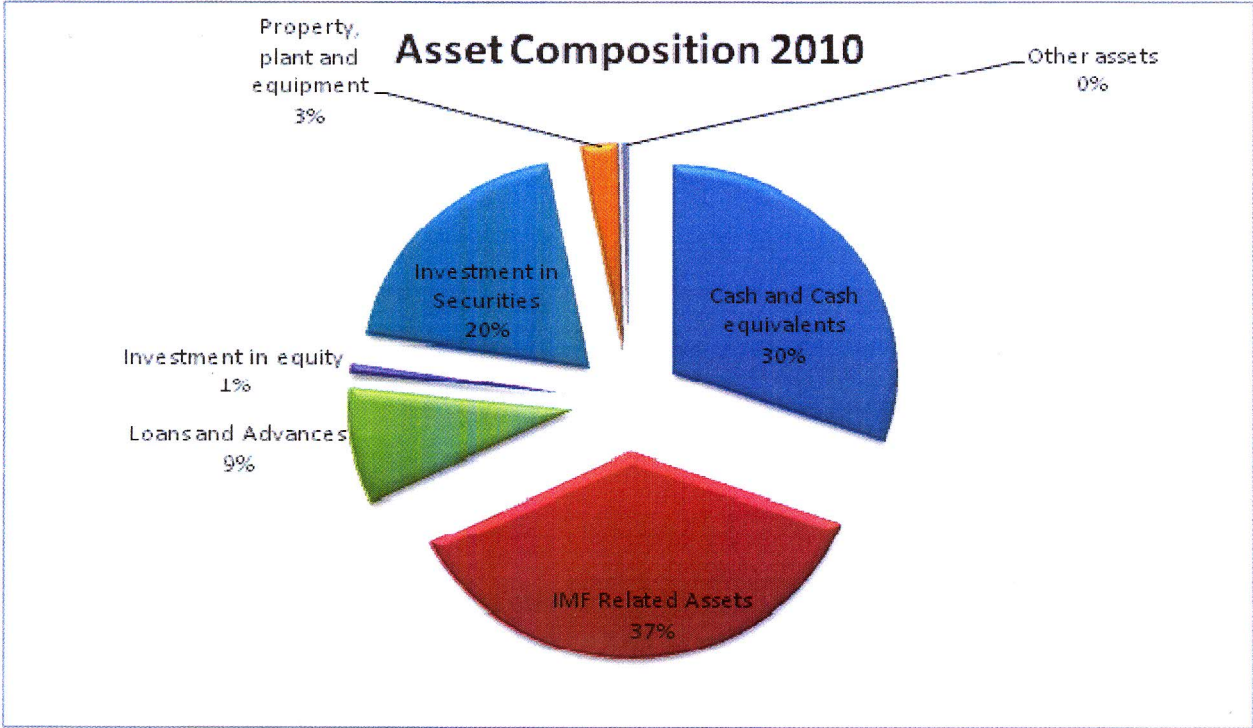
In 2007, the Bank commenced preparing its annual accounts in line with the International Financial Reporting Standards (IFRS) in line with current best practice. Messrs. KPMG has proposed that the accounts be prepared in the most recent format of the IFRS and hence the presentation of the Statement of Financial Position and Statement of Comprehensive Income differs from that of the year 2009 as reported by the then Auditors, Messrs PKF. Comparative figures for the previous year are shown alongside.

1. STATEMENT OF FINANCIAL POSITION

The Bank's overall financial performance improved with total assets and total liabilities and equity increasing significantly by 35% from **Le1.65 trillion** in 2009 to **Le2.23 trillion** as at 31st December, 2010.

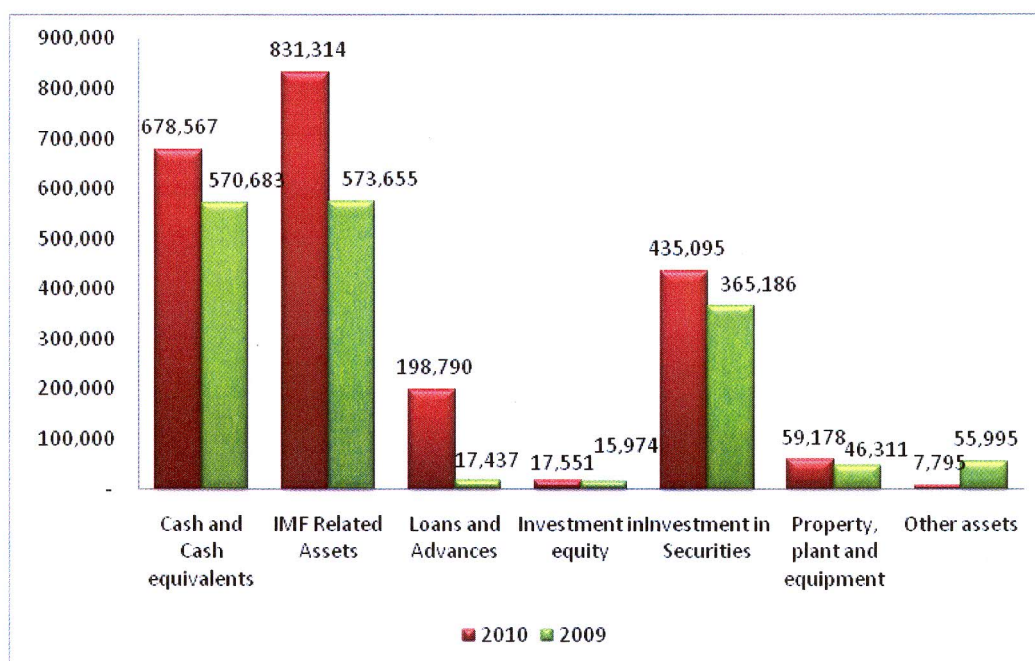
The composition of total assets is depicted in the table below and two pie charts overleaf:

<i>In thousands of Leones</i>	2010	2009
Assets		
Cash and cash equivalents	678,567,070	570,683,317
International Monetary Fund Related Asset	831,314,280	573,654,590
Loans and advances	198,789,921	17,437,122
Investment in equity	17,550,941	15,973,581
Investment securities	435,094,849	365,185,994
Property, plant and equipment	59,177,854	46,311,444
Other assets	7,794,820	55,994,568
Total assets	2,228,289,735	1,645,240,616



Assets

The graph below shows the comparative analysis of the different categories of assets over the two year period.



The International Monetary Fund (IMF) Related Assets, reported on a net basis (IMF Quota less Securities and IMF No.1 Account balances plus SDR Holdings) increased by 44.91% from Le573.65 billion in 2009 to Le831.31 billion in 2010. Cash and Cash Equivalents with Banks and the Bank's Foreign Investments in Equity also increased by 18.90% and 9.87% respectively.

The significant increase in Loans and Advances was due to Ways and Means Advances to Government of Le177.69 billion in a Stock Account which was nil in 2009. Staff Loans and Reverse REPO Account increased by 17.27% and 64.44% respectively.

The Bank's Investment Securities increased by 19.14% from Le365.19 billion in 2009 to Le435.09 billion in 2010. The 5-year Medium Term Bonds increased by 55.55% reflecting the Government's conversion of Le100 billion worth of Non-Negotiable, Non-interest Bearing Securities under the Recapitalisation Programme. Holdings of Government Securities (Treasury Bills and Bonds) decreased by 16.25% from Le185.19 billion to Le155.09 billion in 2010.

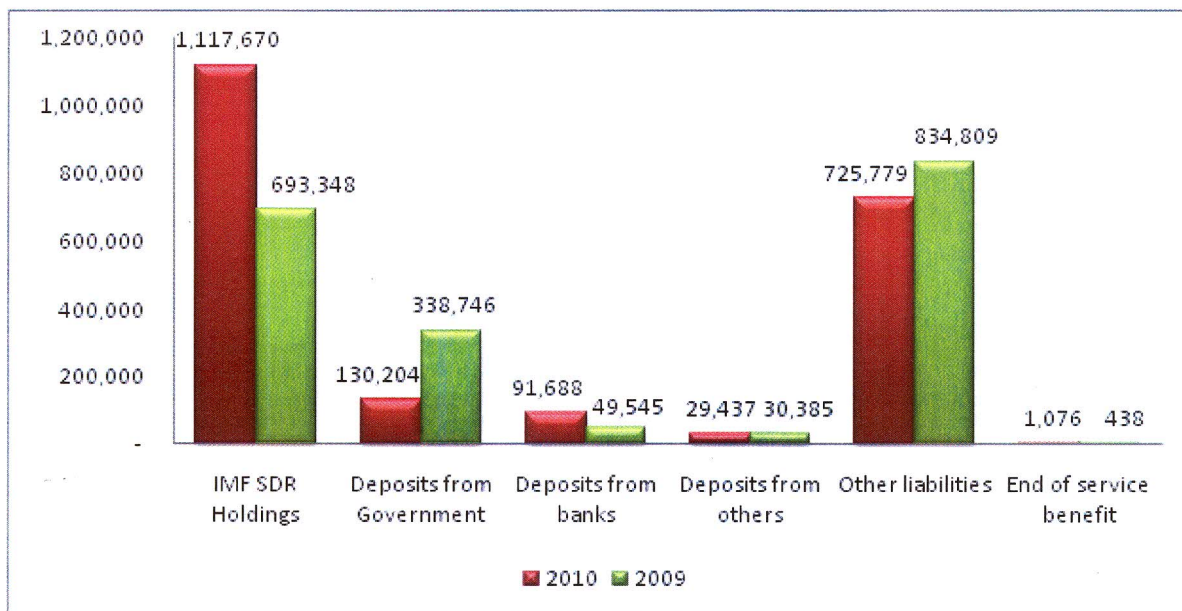
The total value of Other Assets (including the value of gold stock and inventory items) fell drastically by 86.07% from Le55.99 billion in 2009 to Le7.79 billion in 2010 mainly due to a sharp decrease in Items in Transit (from Le52.76 billion in 2009 to Le125.54 million in 2010) and the write-off of Government Securities Certificates amounting to Le141.72 million that were no longer required.

However, Deferred Currency Issue Expenses increased by 243.62% from Le1,879.38 billion in 2009 to Le6,458 billion in 2010 as a result of the launching of resized notes in May, 2010. Gold Stock also increased by 41.19% from Le375.81 million in 2009 to Le530.64 million as at 31st December, 2010.

The Bank's Property, Plant and Equipment improved by 27.78% from Le46.31 billion in 2009 to Le59.18 billion in 2010 as a result of significant additions to Premises (Le8.58 billion), Office Furniture and Equipment (Le3.80 billion) and Work in Progress on the Tokeh Resource Centre (Le2.81 billion).

Liabilities

The graph below shows the comparative analysis of the different categories of liabilities over the two year period.



Total Liabilities increased marginally by 7.69% from **Le1.95 trillion** in 2009 to **Le2.10 trillion** in 2010.

IMF Special Drawing Rights (SDRs) Allocation increased from Le693.35 billion in 2009 to Le1.12 trillion in 2010 mainly because IMF Special Drawing Rights (SDRs) increased by 36.33% from Le471.89 billion in 2009 to Le643.35 billion as at 31st December, 2010 and Disbursements under the IMF Poverty Reduction and Growth Facility (PRGF) also increased by 114.18% from Le221.46 billion in 2009 to Le474.32 billion in 2010.

Total Non-Financial Liabilities decreased by 15.15% mainly due to a 90.32% decrease in the Provision for the Revaluation of Pipeline Liabilities which was discounted to its present value during the year from Le291.19 billion to Le28.18 billion. However, Currency in Circulation increased by 29.83%.

Deposits from Commercial and Community Banks increased by 85.06% from Le49.54 billion in 2009 to Le91.69 billion in 2010. Accrued Charges and Other Liabilities increased by 20.57%. Government Deposits however decreased by 61.56% from Le338.75 billion as at 31st December, 2009 to Le130.20 billion in December, 2010. Other Deposits also decreased by 3.11%.

Reserves

Total Reserves improved significantly during the period from **net total negative reserves of Le352.03 billion** as at December 31, 2009 to **net total positive reserves of Le82.43 billion** as at December 31, 2010. This favourable position reflected corresponding improvements in the Foreign Exchange Revaluation Reserve and General Reserve Accounts.

The net credit of Le139.44 billion in the Foreign Exchange Revaluation Reserve Account will be treated in accordance with Section 54(3) and (4) of the Bank of Sierra Leone Act 2000. The 194.70% improvement was due to the transfer of net revaluation gains realised during the period under review.

The negative balance in the General Reserve Account improved by 62.20% mainly as a result of the adjustments made to reflect the reduction in the provision for impairment of the Non-Negotiable, Non-Interest Bearing Securities which were converted to marketable securities as part of the Bank's assets (Le84.43 billion 5-year medium term bonds) and for monetary operations (Le77.5 billion treasury bills).

2. STATEMENT OF COMPREHENSIVE INCOME

Operating Income

Total operating income amounting to **Le68.38 billion** represented an increase of 126.46% from the amount of **Le30.19 billion** generated in 2009. The **Net Operating Loss of Le23.34 billion**, increased by **Le439.55 million** over the net loss of **Le22.91 billion** incurred in 2009.

This is depicted in the table and graph below:

Description	2008	2009	2010
	SLL 'M	SLL 'M	SLL 'M
Revenues	36,925	30,195	68,379
Losses	-12,470	-22,905	-23,345

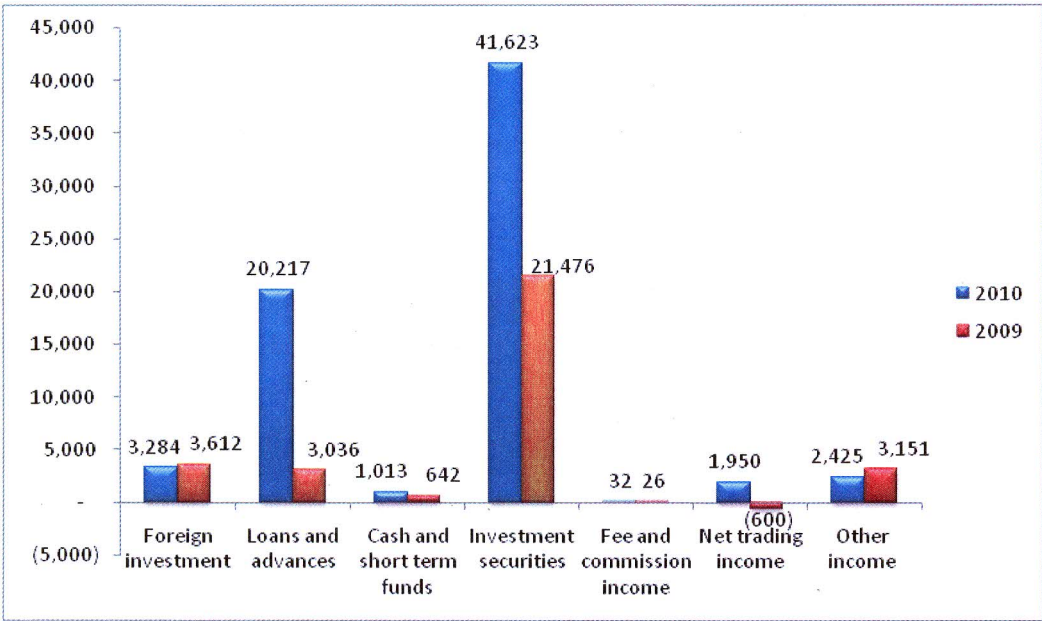


The favourable performance of income was largely attributed to income of Le41.62 billion from Investment Securities representing a 93.80% increase from 2009 (Le21.48 billion). Income of Le22.95 billion realised from the 5-Year Medium Term Bonds converted from the non-negotiable, non-interest bearing securities as at end December, 2010 constituted 55.13% of the total income from investment securities.

Interest income from Loans and Advances (to Government) amounting to Le20.22 billion was the next major source of income. It increased significantly from Le3.04 billion in 2009 due to an increase in the utilisation of the Ways and Means Advances Facility by Government.

The total income of Le3.28 billion accruing from Foreign Currency Investments was 4.94% of total interest and similar income. This income represented a drop by 9.02% when compared with the amount of Le3.61 billion generated in 2009. This unfavourable position clearly reflects the negative effects of the Global Financial Crisis.

The graph below shows the comparative analysis of the different categories of revenue over the two year period.



Operating Expenses

Total operating expenses increased by 72.73% from **Le53.10 billion** in 2009 to **Le91.72 billion**. 39.83% of this amount, representing a 407.05% increase over the amount spent in 2009 was in respect of currency costs. The increase is mainly attributed to the resized notes with enhanced security features launched during the year.

Personnel costs amounting to Le33.58 billion was the next major item of expenditure during the period, accounting for 36.60% of total operating expenses and representing a 20.17% increase over the amount spent in 2009.

Other Expenses (including directors' remuneration, legal and professional fees electricity costs, insurance payments and passages and overseas allowances) increased by 24.08% over the amount incurred in 2009.

Net Operating Loss

The Net Operating Loss of Le23.34 billion, increased by Le439.55 million over the net loss of Le22.91 billion incurred in 2009, which will be treated in accordance with the requirements of Sections 11 (6) and (9) of the Bank of Sierra Leone Act 2000.

3. Equity

Total equity improved significantly from a negative balance of Le302.03 billion in 2009 to a positive balance Le132.44 billion largely due to the positive effect of the total profit (net of revaluation gains and operating loss) realised for the year, and the adjustment to reflect the reduction in the provision for the impairment of the Non-negotiable, Non-Interest Bearing Securities.

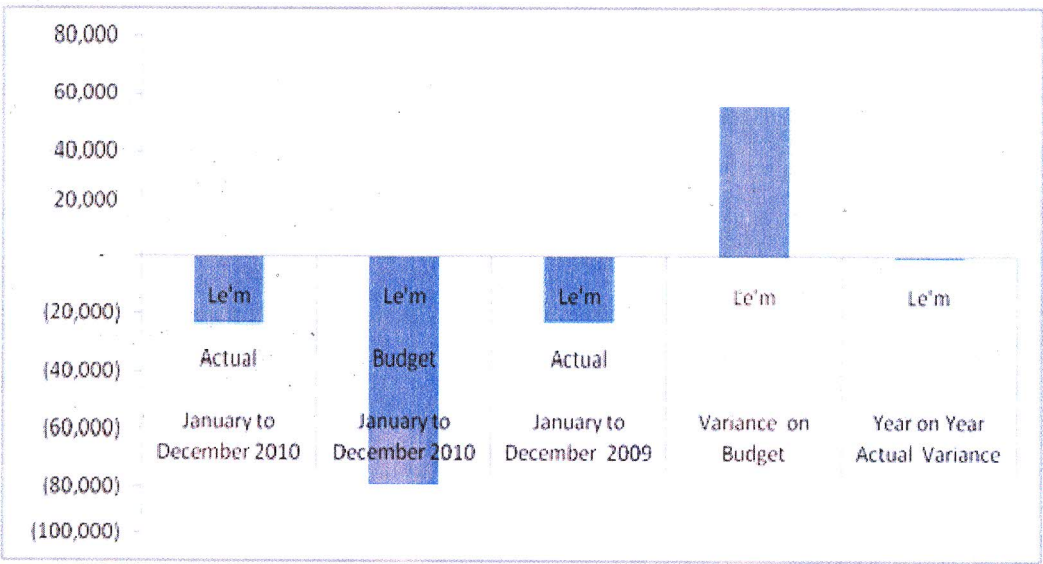
Budget Performance for year 2010

The analysis of the Bank's Budgetary Performance for the period January to December, 2010 is based on the Consolidated Recurrent Budget approved for the year, which projected total income at **Le34.16 billion** and expenditure at **Le113.22 billion**, with a resultant projected deficit of **Le79.06 billion**.

In actual terms however, the net loss of **Le23.34 billion** incurred was 70.47% below the projected loss of **Le79.06 billion**. This favourable position for the year under review was due to a combination of higher levels of income and lower levels of expenditure than projected.

The Actual loss for 2010 was higher than the net loss of **Le22.91 billion** incurred as at end December, 2009. Please see Table and Chart below for further analysis.

Analysis of Profit and Loss						
January to December 2010	January to December 2010	January to December 2009	Variance on Budget	Year on Year Actual Variance	% Variance on Budget	% Year on Year Actual Variance
Actual	Budget	Actual				
Le'm	Le'm	Le'm	Le'm	Le'm		
(23,344)	(79,063)	(22,905)	55,719	(439)	70%	2%



Report of the directors

The Directors have pleasure in submitting their report to the Government of Sierra Leone together with the audited financial statements for the year ended 31 December 2010.

Principal activities

- (a) to foster the liquidity, solvency and proper functioning of a stable market-based financial system;
- (b) to formulate, adopt and execute the monetary policy of Sierra Leone;
- (c) to formulate, adopt and execute the foreign exchange policy of Sierra Leone;
- (d) to license and supervise institutions that engage in the business of receiving money deposits or other repayable funds from the public and extending credits for their own account, including bureaux of exchange and foreign exchange dealers;
- (e) to own, hold and manage its official international reserves;
- (f) to act as banker and adviser to, and as fiscal agent of, the Government;
- (g) to promote the efficient operation of payment system and
- (h) to promote the safe and sound development of the financial system including safeguarding the interests of depositors.

Directors' responsibility statement

The Bank's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2010 and the statements of comprehensive income, changes in equity and 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, in accordance with International Financial Reporting Standards, and in the manner required by the Bank of Sierra Leone Act 2000 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 .

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Share capital

Details of the Bank's share capital are shown in note 28 to these financial statements.

Results for the year and appropriation

Loss for the year was Le 23.3 billion. (2009: Le 22.9 billion). No appropriation is made as required by Section 11 of the Bank of Sierra Leone Act 2000 as the Bank incurred a net loss.

Report of the directors *(continued)***Audit Committee**

The Audit Committee comprising non-executive directors is responsible for oversight function over the audit mechanism, internal control system and financial reporting system. The Audit committee meets quarterly to review and monitor the implementation of recommendations in the internal audit reports, external auditors' management letters and other oversight reports like the IMF Safeguards Assessment Reports.

Monetary Policy Committee

The Monetary Policy Committee is the highest policy making body in the Bank on monetary policy matters. Chaired by the Governor of the Bank, this committee meets monthly to review developments in the economy and their implications for monetary management. It takes decisions on the level of the key policy rate of the Bank, the Monetary Policy Rate (MPR) to signal to the market the stance and direction of the Bank's Monetary Policy in seeking to achieve the primary objective of price stability.

Banking Supervision Technical Committee

This Committee is responsible to direct and deliberate on the operations of all financial institutions.

Foreign Assets Committee

The Foreign Assets Committee meets quarterly and has responsibility to deliberate on issues relating to foreign assets of the Bank, review exchange control regulations relating to capital account transactions, monitor and maintain the external reserves to safeguard the internal value of the legal currency, and formulate policies that support monetary and exchange rate management.

Project Monitoring Committee

The Project Monitoring Committee is responsible to monitor ongoing projects implemented by the Bank and make appropriate recommendations to management and board of directors.

Property and equipment

Details of the Bank's property and equipment are shown in notes 20 to these financial statements.

Employment of disabled people

The Bank does not discriminate against a qualified individual with disability with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment.

Health, safety and welfare at work

The Bank has retained the services of a medical doctor for all employees of the Bank and a conducive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

There is an approved training schedule for the bank and staff are trained both locally and internationally in various areas to improve their skills and knowledge.

Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the work place, these include unit meetings, and regular general meetings.

There is an approved training schedule for staff and the Bank also has a staff performance appraisal process through which staffs are appraised and promotions and /or increments are made.

Directors and their interest

The following were directors of the Bank as at 31 December 2010:

Mr. Sheku S. Sesay	Governor	(appointed July 1, 2009)
Ms. Andrina R. Coker	Deputy Governor	(appointed October 6, 2008)
Dr Morie K. Manyeh	Director	(re-appointed April 22, 2008)
Dr Sandy A. Bockarie	Director	(appointed April 22, 2008)
Mr. Dalton F. Shears	Director	(appointed April 22, 2008)
Mr. Harold Hanciles	Director	(appointed April 22, 2008)
Mrs. Marian Kamara	Director	(appointed April 29, 2008)

The Governor and Deputy Governor were appointed on 1 July 2009 and 6 October 2008 respectively and in accordance with section 13(1) of the Bank of Sierra Leone Act 2000, they shall hold office for a term of five years each.

The other directors are to hold offices for three years and shall be eligible for re-appointment. As of the date of signing these financial statements all but Dr. M.K. Manyeh of the other directors have been re-appointed, with effect from 22 April 2011 for a further term of three years.

No director had during the year or has a material interest in any contract or arrangement of significance to what the Bank was or is a party.

Auditors

The auditors have expressed their willingness to remain in office.

The auditors, KPMG were appointed by the Auditor-General on 29 December 2010 to conduct the audit of the financial statements for the year ended 31 December 2010.

Report of the directors *(continued)*

Approval of the financial statements

The Financial Statements were approved by the board of directors on13th September,.....2011

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Governor

.....

Deputy Governor

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Director

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Director

.....

Secretary

Independent auditor's report to the Government of Sierra Leone

We have audited the accompanying financial statements of Bank Sierra Leone which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and 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 8 to 54.

Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Bank of Sierra Leone Act 2000, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Bank has not complied with International Financial Standards in respect of the following matters:

- The Bank operates a defined benefit scheme, and has made a provision of Le 1.1 billion in respect of the outstanding employee benefit obligation, which is defined as a post employment benefit obligation in accordance with IAS 19, Employee Benefits. IAS 19 requires that in order to measure the present value of the post-employment benefit obligations and the related current service cost, it is necessary to apply an actuarial valuation method. The provision was not determined in accordance with an actuarial valuation method by an actuarial valuator. Furthermore, the disclosures required by IAS 19 in the circumstances have not been presented. It was impracticable for us to quantify the effects on the financial statements.

- The Bank has complied with Section 54 (1) and (2) of the Bank of Sierra Leone Act 2000, which requires gains and losses arising from any changes in valuation of the Bank's assets and liabilities in, or denominated in, gold or foreign currencies, special drawing rights or Euros as a result of changes in the exchange rate for the Leone or of any change in the values, parties or exchange rates of such assets with respect to the Leone to be carried to a special account called the revaluation reserve account. The profits and losses arising from such changes are prohibited from being included in the computation of the annual profits and losses on the Bank by the Act.
- This is not in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, which requires that exchange differences arising on the settlement or translation of such monetary items to be recognised in profit or loss in the period in which they arise. Accordingly, exchange gains amounting to Le 286.6 billion were not recognised in the loss for the year, but directly in the Foreign reserve included in other reserves in equity.

Qualified Opinion

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank of Sierra Leone Act 2000.

Emphasis of matter

Without further qualifying our opinion, we draw attention to note 17 b (iii) which indicates that the Bank of Sierra Leone made advances to the Government of Sierra Leone of Le 395.3 billion. The note further indicates that this exceeds 5% (Le 37.3 billion) of the Government of Sierra Leone's actual revenue in the previous year's budget, which contravenes the requirements of Section 42 (1) and (2) of the Bank of Sierra Leone Act 2000.

Date: 13 September 2011


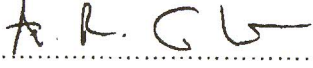



Chartered Accountants

Freetown

Statement of financial position
as at 31 December

<i>In thousands of Leones</i>	Note	2010	2009
Assets			
Cash and cash equivalents	15	678,567,070	570,683,317
International Monetary Fund Related Asset	16	831,314,280	573,654,590
Loans and advances	17	198,789,921	17,437,122
Investment in equity	18	17,550,941	15,973,581
Investment securities	19	435,094,849	365,185,994
Property, plant and equipment	20	59,177,854	46,311,444
Other assets	21	7,794,820	55,994,568
Total assets		<u>2,228,289,735</u> =====	<u>1,645,240,616</u> =====
Liabilities			
International Monetary Fund Special drawing rights allocation	22	1,117,669,718	693,348,450
Deposits from Government	23	130,203,850	338,746,493
Deposits from Banks	24	91,687,549	49,544,719
Deposit from others	25	29,436,819	30,384,663
Other liabilities	26	725,778,786	834,809,157
End of service benefit	27	1,076,066	437,754
Total liabilities		<u>2,095,852,788</u>	<u>1,947,271,236</u>
Equity			
Share capital	28	50,000,000	50,000,000
General reserve	29(a)	(89,796,802)	(237,587,132)
Other reserves	29(b)	<u>172,233,749</u>	<u>(114,443,488)</u>
Total equity attributable to equity holders of the Bank		132,436,947	(302,030,620)
Total liabilities and equity		<u>2,228,289,735</u> =====	<u>1,645,240,616</u> =====

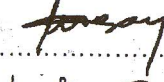
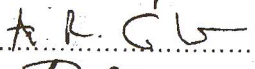


These financial statements were approved by the Board of Directors on 13th September, 2011

)	Governor
)	Deputy Governor
)	Directors
)	

Statement of comprehensive income
for the year ended 31 December

<i>In thousands of Leones</i>	Note	2010	2009
Interest and similar income	7	66,136,705	28,766,069
Interest expenses and similar charges	7	(2,165,179)	(1,147,330)
Net interest income		63,971,526	27,618,739
Fees and commission income	8	31,815	25,577
Fees and commission expense	8	-	-
Net fee and commission income		31,815	25,577
Net trading income/(loss)	9	1,950,742	(600,560)
Other income	10	2,424,968	3,150,902
Operating income		68,379,051	30,194,658
Impairment loss on loans and advances	17	(7,902)	-
Personnel expense	11	(33,576,707)	(27,940,712)
Currency	12	(36,536,574)	(7,205,639)
Depreciation and amortisation	20	(2,405,829)	(2,482,639)
Other expenses	13	(19,196,724)	(15,470,800)
Loss for the year	14	(23,344,685)	(22,905,132)
Other comprehensive income			
Fair value reserve (non negotiable non interest bearing securities):			
Net change in fair value		161,930,000	162,500,000
Net amount transferred to profit or loss		-	-
Other comprehensive income for the year		161,930,000	162,500,000
Total comprehensive income for the year		138,585,315	139,594,868
Loss attributable to:			
Equity holders of the Bank		(23,344,685)	(22,905,132)
Loss for the year		(23,344,685)	(22,905,132)
Total comprehensive income attributable to:			
Equity holders of the Bank		138,585,315	139,594,868
Total comprehensive income for the year		138,585,315	139,594,868

These financial statements were approved by the Board of Directors on 13th September, 2011

) Governor
) Deputy Governor
) Directors
) Directors

Statement of changes in equity
for the year ended 31 December 2008

In thousands of Leones

	Share capital	Foreign exchange reserve	Property revaluation reserve	Restated General reserves	Other reserves	Total
Balance at 1 January 2009	50,000,000	(200,660,911)	32,792,919	(375,517,007)		(493,384,999)
Total comprehensive income for the year						
Loss for the year	-	-	-	(22,905,132)	-	(22,905,132)
Revaluation gain for the year	-	-	-	53,424,504	-	53,424,504
Loss on sale of marketable securities	-	-	-	(1,664,993)	-	(1,664,993)
Other comprehensive income						
Fair value reserve (non interest bearing securities)						
Net Change in fair value	-	-	-	162,500,000	-	162,500,000
Net amount transferred to profit or loss	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	162,500,000	-	162,500,000
Other transfers						
Transfer to foreign exchange reserve	-	53,424,504	-	(53,424,504)	-	-
Total transfers	-	53,424,504	-	(53,424,504)	-	-
Total comprehensive income and other transfers	-	53,424,504	-	137,929,875	-	191,354,379
Paid up capital	-	-	-	-	-	-
Deposit for shares	-	-	-	-	-	-
Total contribution by and distributors owners	-	-	-	-	-	-
Balance at 31 December 2009	50,000,000	(147,236,407)	32,792,919	(237,587,132)	-	(302,030,620)

Statement of changes in equity

In thousands of Leones

	Share capital	Foreign exchange reserve	Property revaluation reserve	General reserves	Other reserves	Total
Balance at 1 January 2010	50,000,000	(147,236,407)	32,792,919	(237,587,132)	-	(302,030,620)
Total comprehensive income for the year						
Net loss for the year	-	-	-	(23,344,685)	-	(23,344,685)
Revaluation gain for the year	-	-	-	286,677,237	-	286,677,237
Loss on sale of marketable securities	-	-	-	(6,364,985)	-	(6,364,985)
Securities for prior year losses	-	-	-	15,570,000	-	15,570,000
Other comprehensive income						
Fair value reserve (non interest bearing securities)						
Net change in fair value	-	-	-	161,930,000	-	161,930,000
Net amount transferred to profit or loss	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	161,930,000	-	161,930,000
Other transfers	-	286,677,237	-	(286,677,237)	-	-
Total Transfers	-	286,677,237	-	(286,677,237)	-	-
Total comprehensive income and other transfers	-	286,677,237	-	147,790,330	-	434,467,567
Paid up capital	-	-	-	-	-	-
Deposit for shares	-	-	-	-	-	-
Total contribution by and distributors owners	-	-	-	-	-	-
Balance at 31 December 2010	50,000,000	139,440,830	32,792,919	(89,796,802)	-	132,436,947

Statement of cash flows

<i>In thousands of Leones</i>	<i>Note</i>	2010	2009
Cash flows from operating activities			
Loss for the year		(23,344,685)	(22,905,132)
Adjustment for:			
Depreciation and amortisation	20	2,405,829	2,482,639
Impairment losses on loans and advances		7,902	-
Net interest Income	7	(63,971,526)	(27,618,739)
Loss on disposal of property, plant and equipment		-	(1,092)
Impairment of property, plant and equipment		809,029	-
		(84,093,451)	(48,042,324)
Changes in loans and advances		(181,360,701)	(5,421,634)
Changes in other assets		48,199,748	(37,726,697)
Changes in Government Deposit		(208,542,643)	(42,911,087)
Changes in other deposits		41,194,986	(7,542,652)
Changes in other liabilities		(109,030,371)	206,057,913
Changes in end of service benefit		638,312	437,754
		(492,994,120)	64,851,273
Interest received	7	66,136,705	28,766,069
Interest paid	7	(2,165,179)	(1,147,330)
Net cash (utilised in)/generated from operating activities		(429,022,594)	92,470,012
Cash flows from investing activities			
Purchase of Investment Securities		(69,908,855)	(242,404,139)
Medium term bond acquisition		(1,577,360)	(2,104,619)
Acquisition of property and equipment		(16,081,268)	(1,045,006)
Proceeds from the sale property and equipment			1,260
Net cash used in investing activities		(87,567,483)	(245,552,504)
Cash flows from financing activities			
Net change in funds from the IMF		166,661,578	(35,663,190)
Net movement in reserves		171,135,015	160,835,007
Net cash from financing activities		337,796,593	125,171,817
Net increase in cash and cash equivalents		(178,793,484)	(27,910,675)
Cash and cash equivalents at 1 January		570,683,317	545,169,488
Effect of foreign exchange rate changes on cash and cash equivalent held or due in foreign currency		286,677,237	53,424,504
Cash and cash equivalent at 31 December	15	678,567,070	570,683,317

Notes to the financial statements**1. Reporting entity**

The Bank of Sierra Leone is domiciled in Sierra Leone and wholly owned by the Government of Sierra Leone. The address of the Bank's registered office is 30 Siaka Stevens Street Freetown. The Bank is primarily established to foster the liquidity, solvency and proper functioning of a stable market-based financial system and to license and supervise institutions that engage in the business of receiving money deposits or other repayable funds from the public and extending credits for their own account, including bureaux of exchange and foreign exchange dealers.

2. Basis of preparation**(a) Statement of compliance**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB)

(b) Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for available for sale financial assets measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 5.

3. Significant accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Notes to the Financial Statements**(a) Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reported 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.

Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising as retranslation are recognised in the revaluation reserve account as required by the Bank of Sierra Leone Act 2,000, except for differences arising on the retranslation of available-for-sale equity instruments.

(b) Interest

Interest income and expenses are recognized in the income statement for all interest-bearing instruments on an accrual basis, using the effective interest rate method.

The recognition of interest ceases when the payment of interest or principals is in doubt. Interest is included in income thereafter, only when it is received.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, which appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and interest paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expenses presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Notes to the financial statements (continued)**3. Significant accounting policies (continued)****(c) Fees and commissions**

Fees and Commissions Income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains less losses related to trading of assets and liabilities and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

(e) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(f) Income tax expense

In accordance with section 9 (a) (iii) of the Income Tax Act 2000 and section 56 (3) of the Bank of Sierra Leone Act 2000, the profits of the Bank are not liable to Income Tax, or any other tax.

(g) Financial assets and liabilities**(i) Recognition**

The Bank initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities including assets and liabilities designated at fair value through profit or loss are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions in the instrument.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(ii) *Derecognition*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risk and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retentions of all or substantially all risks and rewards include, for example securities lending and repurchase transaction.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks, and rewards of ownership of a financial asset it derecognises the assets if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain circumstances the Bank retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

(iii) *Offsetting*

Financial Assets and Liabilities are set off and the net amount presented in the statement of financial position when, and only when the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Notes to the financial statements (continued)**3. Significant accounting policies (continued)****Financial assets and liabilities (continued)***(iv) Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount recognised and the maturity amount minus any reduction for impairment.

(v) Fair value measurement

The determination of fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotation for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include the net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Bank uses probability models which usually are developed from recognised valuation models. Some or all of the inputs to these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price which is the best indication of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference usually an increase, in the fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

Valuation adjustments are recorded to allow for model risks, bid risk spreads, liquidity prices, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

(vi) Identification and measurement of impairment

At each financial position date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Notes to the financial statements (continued)**3. Significant accounting policies (continued)****Financial assets and liabilities (continued)**

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Impairment losses on assets carried at amortised cost are recognised in statement of comprehensive income and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any significant recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provision attributable to time value are reflected as a component of interest income.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and balances with other foreign central Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

(i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(j) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

Notes to the financial statements**(i) Held-to-maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a 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 Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(k) *Property and equipment***(i) Recognition and measurement**

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchase software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Major improvements are capitalised

Notes to the financial statements**3. Significant accounting policies (continued)****Property and equipment (continued)****(iii) Depreciation**

Freehold premises are depreciated over a maximum of fifty years. For leasehold properties, where the unexpired lease term is more than fifty years, depreciation is charged over fifty years. Where the unexpired lease term is less than fifty years, the value of the leasehold property is amortised over the periods appropriate to the relevant lease terms on a straight line basis.

Motor vehicles, equipment and fixtures and fittings are depreciated on a straight line basis over its estimated useful life, principally between 3 and 8 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Leased assets - lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and they are not recognised on the Bank's balance sheet.

(m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements

3. Significant accounting policies (continued)

(n) Deposits

Deposits are initially measured at fair value, with fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

All financial guarantee liabilities are disclosed by way of notes in the financial statements and are only included in other liabilities if the liability has crystallised or becomes probable that it will crystallise.

(q) Employee benefits**(i) Short term benefits**

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

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

Notes to the financial statements

3. Significant accounting policies (continued)

(ii) *defined benefit plan*

The bank provides end of service benefits to its retirees. The entitlement to these benefits is conditional on the completion of a minimum service period. End of service benefit is a post-employment benefit plan. The liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the financial position date, together with adjustments for actuarial gains or losses and past service costs. The present value of the obligation is determined by discounting the estimated future cash outflows taking into account average service period and salary increases and using interest rates of Government treasury bonds that are denominated in Leones, the currency in which the obligation will be paid and that matures in one year's time. The calculation is performed by actuary using the projected unit credit method.

The bank recognises all actuarial gains and losses from end of service benefits in profit or loss.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(r) *Share capital and reserves*

(i) *Share capital*

The Bank classifies capital instruments as financial liabilities as equity instruments in accordance with the substance of the contractual terms of the instrument. Sections 10(1) and 71 of the Bank of Sierra Leone Act 2000 require that the minimum paid up capital of the Bank must be Le 50bn, to be subscribed within five years from commencement of the Act (that is commencing from 15 February 2005). The capital has been fully subscribed.

(ii) *Share issue costs*

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

(s) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2010, and have not been applied in preparing these financial statements. These include the following:

- a. Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues
The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number

Notes to the financial statements**3. Significant accounting policies (continued)**

of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This standard is effective for periods beginning on or after 1 February 2010.

b. IFRIC 19 Extinguishing Financial Liabilities with Equity instruments

This interpretation provides guidance on the accounting for debt for equity swaps. This standard is effective for period beginning on or after 1 July 2010.

c. Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for first-time Adopters:

The amendment provided the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendment to IFRS 7. The amendment also clarifies the transitional provision of the amendments to IFRS 7. This standard is effective for periods beginning on or after 1 July 2010.

d. Improvements to IFRSs 2010 - Amendments to IFRS 3 Business Combinations

The amendments:

- Clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004);
- Limit the accounting policy choice to measure non-controlling interest upon initial recognition at a fair value or at non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that gives rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and
- Expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are effective for period beginning on or after 1 July 2010.

e. Improvements to IFRSs 2010- Amendments to IAS 27 Consolidated and Separate financial Statements

The amendments clarify that the consequential amendments to IAS 21. The effects of changes in foreign exchange rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting renumbering. This standard is effective for periods beginning on or after 1 July 2010.

Notes to the financial statements

3. Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

f. ISA 24 Related Party Disclosures (revised 2009)

The revised IAS Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. This standard is effective for period beginning on or after 1 January 2011.

g. Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets. Minimum Funding Requirements and their Interaction

These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This standard is effective for period beginning on or after 1 January 2011.

h. Improvements to IFRSs 2010 - IFRS 1 First-time Adoption of IFRSs

The amendments:

- Clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements;
- Introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements;
- Extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and
- Introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities.

i. Improvement to IFRSs 2010 - IFRS 7 Financial Instruments Disclosures

The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. This standard is

j. Improvements to IFRSs 2010 - IAS 1 Presentation of Financial Statements

The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. This standard is effective for periods beginning on or after 1 January 2011.

Notes to the Financial Statements**3. Significant accounting policies (continued)****New standards and interpretations not yet adopted (continued)****k. Improvements to IFRSs 2010 - IAS 34 Interim Financial Reporting**

The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. This standard is effective for periods beginning on or after 1 January 2011.

Improvement to IFRSs 2010 - IFRIC 13 Customer Loyalty Programme

The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This standard is effective for periods beginning on or after 1 January 2011.

l. IFRS 9 Financial Instruments

IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39.

IFRS 9 (2009) retains but simplifies the mixed measurement model and established two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. This standard is effective for periods beginning on or after 1 January 2013.

(t) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

4. Financial risk management**(a) Introduction and overview**

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Notes to the financial statements

Risk management framework

The Bank's management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Specialist staff conducts the Bank's local currency, foreign currency reserve management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, delegated functions and limits set by the Governor.

The Bank is subject to an annual external audit for which the Auditor General takes responsibility either by conducting the audit or appointing an auditor as prescribed in Section 52(1) of the Bank of Sierra Leone Act 2000. Auditing arrangements are overseen by an Audit Committee of the Board which meets regularly to monitor the financial reporting and audit functions within the Bank. The committee reviews the internal audit function and when necessary, should have direct access to the External Auditor. The committee reports to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of the Board is responsible for monitoring the adequacy of the accounting and other records and internal control systems. Its other functions include reviewing the internal audit and management reports.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the investments in foreign debt securities and short to medium term cash deposits.

Management of credit risk

The Bank minimizes exposure to credit risk related to investment made in foreign debt securities and short term deposits by establishing limits on investments with different credit quality. Credit quality is evaluated on the basis of the ratings set by the International rating agencies. The bulk of the funds is placed with triple "A" rated Banks (i.e. Central Banks and other international financial institutions such as BIS and IMF) as approved by the Foreign Asset Committee (FAC), Management and the Board. For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Notes to the financial statements**4. Financial risk management (continued)****credit risk(continued)**

The maximum loss that the Bank would suffer as a result of a security issuer defaulting is the value reported in the statement of financial position.

Concentration analysis	2010	2009
Assets		
United States Dollars	541,165,855	209,690,748
Euro	61,863,744	339,462,061
Pound sterling	87,688,219	32,869,122
SDR	831,728,688	573,654,590
Leones and others	705,843,229	489,564,095
Total	2,228,289,735	1,645,240,616
Liabilities		
United States Dollars	58,986,794	351,919,759
Euro	1,870,361	145,092,651
Pound sterling	-	58,161,300
SDR	1,117,669,718	95,626,933
Leones & others	917,325,915	1,296,470,593
Total	2,095,852,788	1,947,271,236

Notes to the Financial Statements

4. Financial risk management (continued)

Management of credit risk (continued)

Credit exposure by credit rating

The following table represents the Bank's Financial Assets based on Standard and Poor's credit rating of the issuer. AAA is the highest quality rating possible and indicates that the entity has an extremely strong capacity and A is an upper medium grade, indicating a strong capacity to pay interest and principal. BBB is the lowest investment grade rating, indicating a medium capacity to pay interest and principal. N/R indicated that the entity has not been rated by Standard and Poor's.

	Credit rating	2010	% of FA	2009	% of FA
Cash balances with central banks	AAA	508,427,380	23.5%	477,999,672	31%
Other cash balances	AA	170,141,040	7.9%	92,683,645	6%
International monetary Fund assets	NR	831,314,280	38.5%	573,654,590	37.2%
Loans and advances to bank	NR	198,789,921	9.2%	17,437,122	1%
Investment in equity	NR	17,550,941	0.8%	15,973,581	1%
Investment securities	NR	435,094,849	20.1%	365,185,994	23.8%
		2,161,318,411	100%	1,542,934,604	100%

(c) Liquidity risk

Liquidity risk is the risk that the Bank may not be able to accommodate decreases in liabilities or fund decrease in assets in full at the time that a commitment or transaction is due for settlement. In the case of the Bank, this risk is not relevant to domestic assets and liabilities because of the ability of the Bank to create Leones when required. However, the Bank does face liquidity risk in respect of foreign assets and liabilities.

Management of liquidity risk

The Bank manages its foreign's liquidity risks through the appropriate structuring of its foreign investment portfolios to ensure that the maturity profile of foreign assets sufficiently match those of foreign commitments. This is monitored and managed on a daily basis. In addition, the foreign investment portfolio of the Bank includes sufficient short-term, highly liquid investment instruments.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

Notes to the financial statements

Residual contractual maturities of financial liabilities

<i>In thousands of Leones</i>	Notes	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over Five 5 years	Total
31 December 2010							
Non-derivative liabilities							
IMF special drawing rights allocation	22	-	-	-	474,322,135	643,347,583	1,117,669,718
Deposits from Government	23	130,203,850	-	-	-	-	130,203,850
Deposit from Banks	24	91,687,549	-	-	-	-	91,687,549
Deposit from others	25	29,436,819	-	-	-	-	29,436,819
Other liabilities	26	636,616,123	-	-	28,178,431	60,984,232	725,778,786
End of service benefit	27	-	-	-	1,076,066	-	1,076,066
		887,944,341	-	-	503,576,632	704,331,815	2,095,852,788
31 December 2009							
Non-derivative liabilities							
IMF Special drawing rights allocation	22	-	-	-	221,458,176	471,890,274	693,348,450
Deposits from Government	23	338,746,493	-	-	-	-	338,746,493
Deposit from Banks	24	49,544,719	-	-	-	-	49,544,719
Deposit from others	25	30,384,663	-	-	-	-	30,384,663
Other liabilities	26	490,670,736	-	-	291,192,731	52,945,690	834,809,157
End of service benefit	27	-	-	-	437,754	-	437,754
		909,346,611	-	-	513,088,661	524,835,964	1,947,271,236

Notes to the financial statements

4. Financial risk management (continued)

Credit exposure by credit rating

(d) Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. In its monetary policy operations, the Bank is obliged to accept certain market-related risks that would not be fully compatible with pure commercial practice. The Bank, nevertheless, manages its market risk responsibly, utilising modern technology, and appropriate organisation structures and procedures. Exposures and limits are measured continuously, and strategies are routinely reviewed by management on a daily basis and when circumstances require, throughout the day.

Exposure to interest rate risk - non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

<i>In thousands of Leones</i>	<i>Note</i>	Carrying Amount	0-3 Months	3-12 Months	1 - 5 Years	More than 5 Years
Cash and cash equivalents	15	678,567,070	678,532,456	-	34,614	-
IMF fund related asset	16	831,314,280	-	831,314,280	-	-
Loans and advances	17	198,789,921	193,835,740	-	4,954,181	-
Investment in equity	19	17,550,941	-	-	15,293,720	2,257,221
Investment securities	20	435,094,849	435,094,849	-	-	-
		2,161,317,061	1,307,463,045	831,314,280	20,282,515	2,257,221
IMF related liabilities	23	1,117,669,718	-	-	474,322,135	643,347,583
Deposit from Government	24	130,203,850	130,203,850	-	-	-
Deposits from Banks	25	91,687,549	91,687,549	-	-	-
Deposits from others	26	29,436,819	29,436,819	-	-	-
		1,368,997,936	251,328,218	-	474,322,135	643,347,583
		792,319,125	1,056,134,827	831,314,280	(454,039,620)	(641,090,362)

Notes to the financial statements

4. Financial risk management (continued)

Market risk (continued)

In thousands of Leones	Note	Carrying amount	0-3 months	3-12 months	1-5 years	More than 5 years
Cash and cash equivalents	15	570,683,317	545,731,931	24,918,585	32,801	-
IMF fund asset	16	573,654,590	-	573,654,590	-	-
Loans and advances	17	17,437,122	-	-	17,437,122	-
Investment in equity	18	15,973,581	-	732,389	15,241,192	-
Investment securities	19	365,185,994	586,528	184,599,466	180,000,000	-
		1,542,934,604	546,318,459	783,905,030	212,711,115	-
IMF liabilities	22	693,348,450	693,348,450	-	-	-
Deposit from Government	23	338,746,493	338,746,493	-	-	-
Deposits from Banks	24	49,544,719	49,544,719	-	-	-
Deposits from others	265	30,384,663	30,384,663	-	-	-
		1,112,024,325	1,112,024,325	-	-	-
		430,910,279	(565,705,866)	783,905,030	212,711,115	-

Sensitivity of projected net interest income (Interest rate sensitivity analysis)

In thousand of Leones	200 bp (2%) Increase 2010	200bp (2%) Decrease 2010
Interest Income Impact	1,328,266	(1,328,266)
Interest Expense Impact	(43,304)	43,304
Net impact	1,284,962	(1,284,962)
In thousand of Leones	2009	2009
Interest Income Impact	582,751	(582,751)
Interest Expense Impact	(22,947)	22,947
Net Impact	559,804	(559,804)

The expected impact on net interest income have been based on a +/- two percent swing in interest rates that may occur during the ensuing year. The computation considered interest income on cash and short term funds, investment securities and loans and advances; and interest expense all of which are deemed susceptible to interest rate change.

Notes to the financial statements (continued)

4. Financial risk management (continued)

e. Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Basic guidelines for the management of Bank's international reserves are set by the Board of the bank and reviewed on a quarterly basis; the guidance prescribe the currency structure, average term of deposits and a selection of foreign banks.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2010. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

Concentrations of assets, liabilities and off balance sheet items

<i>In thousands of Leones</i>	GBP	Euro	US\$	SDR	Other	Total
Cash and balances with the Banks	87,682,963	61,859,825	525,461,801	-	3,562,481	678,567,070
IMF assets	-	-	-	831,314,280	-	831,314,280
Loans and advances	-	-	-	-	198,789,921	198,789,921
Investment inequity	-	-	15,674,494	-	1,876,447	17,550,941
Investment in securities	-	-	-	-	435,094,849	435,094,849
Property, plant and equipment	-	-	-	-	59,177,854	59,177,854
Other assets	-	-	-	-	7,794,820	7,794,820
Total assets	87,682,963	61,859,825	541,136,295	831,314,280	706,296,372	2,228,289,735
Liabilities						
IMF drawing rights allocation	-	-	-	1,117,669,718	-	1,117,669,718
Deposit from Government	-	-	-	-	130,203,850	130,203,850
Deposit from Banks	-	-	-	-	91,687,549	91,687,549
Deposit from Others	-	-	-	-	29,436,819	29,436,819
Other liability	-	1,870,360	58,986,794	-	664,921,632	725,778,786
End of service benefir	-	-	-	-	1,076,066	1,076,066
Total Liabilities	-	1,870,360	58,986,794	1,117,669,718	917,325,916	2,095,852,788
Net on-balance sheet position	87,682,963	59,989,465	482,149,501	(286,355,438)	(211,029,536)	132,436,947
Credit commitments	-	-	-	-	-	-
At 31 December 2009						
Total assets	32,869,122	339,462,061	209,690,748	573,654,590	489,564,095	1,645,240,616
Total liabilities	58,161,300	145,092,651	351,919,759	95,626,933	1,296,470,593	1,947,271,236
Net on-balance sheet position	(25,292,178)	194,369,410	(142,229,011)	478,027,657	(806,906,498)	(302,030,620)

Notes to the financial statements

4. Financial risk management (continued)

Currency risk (continued)

Foreign currency sensitivity analysis

Concentration of Leone equivalent of foreign currency denominated assets and liabilities.

2010

<i>In thousands of Leones</i>	USD	GBP	EUR	SDR	Total
Assets					
Cash and balance with the banks	52,546,181	725	841	-	52,547,747
IMF assets	-	-	-	83,131,428	83,131,428
Investment in equity	1,567,449	-	-	-	1,567,449
Total Assets	54,113,630	725	841	83,131,428	137,246,624
Liabilities					
IMF drawings	-	-	-	111,766,972	111,766,972
Other liabilities	5,898,679	-	187,036	-	6,085,715
Total liabilities	5,898,679	-	187,036	111,766,972	117,852,687
Net-on-balance sheet position	48,214,951	725	(186,195)	(28,635,544)	19,393,937

2009

<i>In Thousands of Leones</i>	USD	GBP	EUR	SDR	Total
Assets					
Total assets	20,969,075	3,286,912	33,946,206	57,365,459	115,567,652
Total assets	20,969,075	3,286,912	33,946,206	57,365,459	115,567,652
Liabilities					
Total liabilities	35,191,976	5,816,130	14,509,265	9,562,693	65,080,064
Total liabilities	35,191,976	5,816,130	14,509,265	9,562,693	65,080,064
Net-on-balance sheet position	(14,222,901)	(2,529,218)	19,436,941	47,802,766	50,487,588

The above sensitivity analysis has been based on change in US Dollar exchange rate against the Leone. The Leone has been relatively stable for the past couple of years, but may well depreciate or strengthen against the dollar by a margin of 10 percent.

Notes to the financial statements(continued)**4. Financial risk management (continued)****f. Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Bank. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risk identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective.

Compliance with the Bank standards is maintained by the Internal Audit Department.

Notes to the financial statements (continued)

5. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the potential loss that may be incurred given their knowledge of the customer and the history of the account. In estimating these cash flows, management makes judgements about a counter party's financial situation. Each impaired asset is assessed on its merits, and estimate of cash flows considered recoverable.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgments depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements made in applying the Bank's accounting policies include:

Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances and in classifying financial assets as available for sale, the Bank has determined that it meets the description as set out in the accounting policy.

6. Segment reporting

The Bank did not maintain and operate separate business segments during the year. Thus, the presentation of segmented information is not considered informative.

Notes to the financial statements

7. Net interest income

In thousands of Leones 2010 2009

Interest and similar income

Foreign investment	3,284,313	3,611,885
Loans and advances	20,216,610	3,035,730
Cash and short term funds	1,012,541	642,009
Investment securities	41,623,241	21,476,445
	<u>66,136,705</u>	<u>28,766,069</u>

Interest expenses and similar charges

In thousands of Leones 2010 2009

IMF interest and charges	(2,085,441)	(1,028,941)
Others	(79,738)	(118,389)
	<u>(2,165,179)</u>	<u>(1,147,330)</u>
Net interest income	<u><u>63,971,526</u></u>	<u><u>27,618,739</u></u>

8. Net fee and commission income

In thousands of Leones 2010 2009

Fee and commission income

Credit related fees and commission	29,834	22,718
Trade finance and other fees	1,981	2,859
	<u>31,815</u>	<u>25,577</u>

Fees and commission expense

Fees and commission expense - -

Net fees and commission income 31,815 25,577

9. Net trading income

In thousands of Leones 2010 2009

Foreign exchange (loss)/gains 1,950,742 (600,560)

Foreign exchange net trading income includes gains and losses from spot and forward contracts.

Notes to the financial statements

10. Other income

<i>In thousands of Leones</i>	2010	2009
Rent received	52,176	25,063
Sundry receipts	2,372,792	2,119,146
Profit on sale of asset	-	1,092
Income on revaluation repo operation	-	1,005,601
	<u>2,424,968</u>	<u>3,150,902</u>

11. Personnel expenses

<i>In thousands of Leones</i>	2010	2009
Salaries and wages	28,892,526	23,225,355
Social security	1,597,216	1,559,179
End of service benefit	1,923,039	1,887,002
Others	1,163,926	1,269,176
	<u>33,576,707</u>	<u>27,940,712</u>

12. Currency

<i>In thousands of Leones</i>	2010	2009
Currency management	205,052	56,785
Currency Issue expenses	36,331,522	7,148,854
	<u>36,536,574</u>	<u>7,205,639</u>

13. Other expenses

<i>In thousands of Leones</i>	2010	2009
Occupancy cost	311,958	258,378
Directors remuneration	1,347,054	1,423,621
Audit fees	160,000	75,000
Legal and professional Fees	2,457,565	1,897,312
Advertisement	138,230	469,300
Electricity	2,201,535	1,466,163
Insurance	1,578,036	1,465,719
Passage and overseas allowances	1,418,277	1,103,516
Repairs and maintenance	375,795	382,764
Write-off of property, plant and equipment	809,028	-
Other	8,399,246	6,947,027
	<u>19,196,724</u>	<u>15,470,800</u>

Notes to the financial statements (continued)

14. Loss for the year

The loss for the year has been stated after charging:

<i>In thousands of Leones</i>	2010	2009
Depreciation and amortisation	2,405,829	2,482,639
Directors remuneration	1,347,054	1,423,621
Audit fees	160,000	75,000

15. Cash and cash equivalents

<i>In thousands of Leones</i>	2010	2009
Cash and Balances with Banks	170,139,689	113,106,104
Balance with other Central Banks	205,183,419	358,547,940
Placement with Banks	303,243,962	99,029,273
Cash and balances with Banks	678,567,070	570,683,317

16. International Monetary Fund Related Assets

<i>In thousands of Leones</i>	2010	2009
IMF Quota subscription	670,466,128	491,781,508
Securities Account	(67,390,261)	(67,390,261)
IMF No.1 Account	(544,971,185)	(424,276,746)
	58,104,682	114,501
SDR Holdings	773,209,598	573,540,089
	831,314,280	573,654,590

Sierra Leone's interest in the International Monetary fund is presented on a net basis as there is a legal right of set off between its membership accounts.

Notes to the financial statements (continued)**17. Loans and advances**

<i>In thousands of Leones</i>	2010	2009
Loans and advances to banks (Note 17a)	4,954,181	5,009,983
Loans and advances to Government and others (Note 17b)	193,835,740	12,427,139
	<u>198,789,921</u>	<u>17,437,122</u>

17a Loans and advances to Banks

<i>In thousands of Leones</i>	2010	2009
Loans and advances to Banks	5,187,083	5,234,983
Less impairment allowances	(232,902)	(225,000)
	<u>4,954,181</u>	<u>5,009,983</u>

Impairment allowances

Balance at 1 January	225,000	-
Impairment loss for the year	7,902	225,000
Balance at 31 December	<u>232,902</u>	<u>225,000</u>

17b. Loans and advances to Government and others**(i) Analysis by type**

<i>In thousands of Leone</i>	2010	2009
Government of Sierra Leone (Ways and Means stock)	177,693,764	-
Staff	4,140,004	3,530,327
Reverse REPO Account	9,810,446	5,965,782
Others (Note 17 iv)	2,191,526	2,931,030
Gross loans and advances	193,835,740	12,427,139
Less: allowances for losses on loans and advances	-	-
	<u>193,835,740</u>	<u>12,427,139</u>

Notes to the financial statements (continued)

17. Loans and advances(continued)

17b. Loans and advances to Government and others (continued)

(ii) Allowances for impairment

<i>In thousands of Leones</i>	2010	2009
Specific allowances for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Balance at 31 December	-	-
Collective allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year	-	-
Balance at 31 December	-	-
Total allowances for impairment	-	-

(iii) Advances to Government of Sierra Leone

<i>In thousands of Leones</i>	2010	2009
Ways and means advances brought forward	-	-
Advances during the year	850,358,094	-
Receipts during the year	(672,664,330)	-
Ways and Means Advances Carried forward	177,693,764	-

Under the Provisions of Section 42(1) and (2) of the Bank of Sierra Leone Act, 2000, the limit of the Ways and Means Advances that the Bank can grant to the Government shall not exceed five percent of the Government's actual revenue in the previous year's budget.

<i>In thousands of Leones</i>	2010	2009
Ways and Means Advances	177,693,764	-
Treasury and eligible bills	435,094,849	365,185,994
	612,788,613	365,185,994
Less: Government deposits	(130,203,850)	(338,746,493)
Capital account	(50,000,000)	(50,000,000)
Net debit/(credit) to Government of Sierra Leone	432,584,763	(23,560,499)

Notes to the financial statements (continued)**17. Loans and advances(continued)****17b. Loans and advances to Government and others (continued)****iii Advances to Government of Sierra Leone (continued)**

<i>In thousands of Leones</i>	2010	2009
Government actual Revenue in previous year	746,460,000	660,050,000
5% thereof	37,323,000	33,002,500
Excess in Government lending	395,261,763	(33,002,500)

The Directors report excess in lendings to the Government of Sierra Leone as at 31 December 2010 of Le 395,261,763 (2009: deficit of Le 33,002,500)

(iv) Others

This include advances given to contractors amounting to Le 1.2 billion and a long term liability to the Sierra Leone stock exchange (Le 1 billion).

18. Investment in equity

<i>In thousands of Leones</i>	2010	2009
AfreximBank Capital Investment	4,798,695	4,407,382
AfreximBank Dividend Investment	380,774	149,525
BSL CON-WAMA credit Guarantee fund	1,423,303	1,348,604
WAMA	10,948,169	10,068,070
	17,550,941	15,973,581

19. Investment securities

<i>In thousands of Leones</i>	2010	2009
Investment securities at fair value through profit or loss	-	-
Held to Maturity investment securities	435,094,849	365,185,994
Available for sale investment securities	-	-
	435,094,849	365,185,994

Notes to the financial statements (continued)

19. Investment securities (continued)

Held to maturity investment securities

<i>In thousands of Leones</i>	2010	2009
Five year medium term bonds	280,000,000	180,000,000
Treasury bills held for monetary policy	26,070,233	54,408,484
Treasury bond held for monetary policy	20,591,600	24,665,750
One year treasury bills	87,373,585	54,918,454
182 days treasury bills	13,329,720	42,667,024
Others	7,729,711	8,526,282
non negotiable interest bearing securities	81,801,429	243,731,429
Less: Fair value adjustment on non negotiable, on interest bearing securities	(81,801,429)	(243,731,429)
	<u>435,094,849</u>	<u>365,185,994</u>
Fair value reserve:		
At 1 January	243,731,429	406,231,429
Reduction of fair value adjustment	(161,930,000)	(162,500,000)
	<u>81,801,429</u>	<u>243,731,429</u>

Under Section 44(2) and 7(2) of the repealed Bank of Sierra Leone (Amendment) Act 1970, the Minister of Finance and the Financial Secretary, on behalf of the Government issued on 24 June 1994 and 25 May 2000 non-negotiable, non-interest bearing securities with no fixed redemption date. As these securities have no interest rate and no fixed redemption date in accordance with International Accounting Standards they have been discounted to net present value date based on projected cash flows. This valuation results in a zero value.

Notes to the financial statements**20. Property plant and equipment***In thousands of Leones*

	Premises	Motor vehicle	Office furniture equipment	Plant and machinery	Work-in progress	Total
Balance at 1 January 2009	50,344,950	5,525,846	10,362,908	3,383,415	-	69,617,119
Additions during the year	-	-	88,140	956,866	-	1,045,006
Disposals	-	(5,000)	-	-	-	(5,000)
Balance at 31 December 2009	50,344,950	5,520,846	10,451,048	4,340,281	-	70,657,125
Balance at 1 January 2010	50,344,950	5,520,846	10,451,048	4,340,281	-	70,657,125
Additions during the year	9,384,836	9,000	3,803,382	78,694	2,805,356	16,081,268
Impairment of asset	(809,029)	-	-	-	-	(809,029)
Balance at 31 December 2010	58,920,757	5,529,846	14,254,430	4,418,975	2,805,356	85,929,364
Depreciation						
Balance at 1 January 2009	7,199,221	3,197,123	9,160,298	2,311,232	-	21,867,874
Depreciation for the year	996,357	617,901	598,031	270,350	-	2,482,639
Disposals	-	(4,832)	-	-	-	(4,832)
Balance at 31 December 2009	8,195,578	3,810,192	9,758,329	2,581,582	-	24,345,681
Balance at 1 January 2010	8,195,578	3,810,192	9,758,329	2,581,582	-	24,345,681
Depreciation for the year	1,020,014	585,005	493,525	307,285	-	2,405,829
Balance at 31 December 2010	9,215,592	4,395,197	10,251,854	2,888,867	-	26,751,510
Carrying amount:						
As at 31 December 2009	42,149,372	1,710,654	692,719	1,758,699	-	46,311,444
As at 1 January 2010	42,149,372	1,710,654	692,719	1,758,699	-	46,311,444
As at 31 December 2010	49,705,165	1,134,649	4,002,576	1,530,108	2,805,356	59,177,854

Work in progress represents amount spent on the Tokeh Resource Center Project which is yet to be completed at the financial position date.

Notes to the financial statements (continued)**21. Other assets**

<i>In thousands of Leones</i>	2010	2009
Gold stock	530,635	375,808
Items in transit	125,541	52,762,507
Other consumables	469,086	391,189
Prepayment	102,496	443,967
Interest receivable	109,065	-
Deferred currency issue expense	6,457,997	1,879,378
Deferred Govt security certificate	141,719	141,719
Less:		
Allowances for impairment	(141,719)	-
	<u>7,794,820</u>	<u>55,994,568</u>
Allowances for impairment:		
At 1 January	-	-
Impairment charge for the year	141,719	-
	<u>141,719</u>	<u>-</u>

22. International Monetary Fund Special Drawing Rights Allocation

<i>In thousands of Leones</i>	2010	2009
IMF Special Drawing Rights	643,347,583	471,890,274
IMF Poverty Reduction and Growth Facility	474,322,135	221,458,176
	<u>1,117,669,718</u>	<u>693,348,450</u>

This relates to amount due to the International Monetary fund (IMF) for amounts of SDR's allocated to the bank for transactions with IMF and to support programs, strengthen balance of payments position and a foster durable growth, leading to higher living standards and a reduction in poverty.

23. Deposit from Government

<i>In thousands of Leones</i>	2010	2009
Government special deposits/accounts	130,203,850	338,746,493
	<u>130,203,850</u>	<u>338,746,493</u>

Notes to the financial statements (continued)

24. Deposit from Banks

<i>In thousands of Leones</i>	2010	2009
Commercial Bank's reserve account	86,888,920	45,943,117
Rural and community bank's reserve accounts	4,587,827	3,390,800
Others	210,802	210,802
	91,687,549	49,544,719

25. Deposits from Others

<i>In thousands of Leones</i>	2010	2009
Other deposits	29,436,819	30,384,663
	29,436,819	30,384,663

26. Other liabilities

<i>In thousands of Leones</i>	2010	2009
Financial liabilities		
Other foreign currency financial liabilities (26a)	60,906,376	52,945,690
Accrued charges and other liabilities (26b)	5,103,636	4,232,893
	66,010,012	57,178,583
Non-financial liabilities		
Currency in circulation (26c)	631,590,343	486,437,843
Provision for revaluation of pipeline liabilities (26d)	28,178,431	291,192,731
	659,768,774	777,630,574
	725,778,786	834,809,157

26a. Other foreign currency financial liabilities

<i>In thousands of Leones</i>	2010	2009
Foreign payment	8,303,703	88,571
Sierra Rutile/GoSL Loan	3,043,724	2,795,521
Bank of China US\$ clearing	35,326,970	32,446,205
WAMA ECOWAS travellers' cheques	11,798	11,798
WAMA ECOWAS travellers' cheques clearing	(1,169)	(1,169)
Commission of European committee	40,760	-
WAMA settlement	-	(1,491,088)
OFID Debt relief imprest account	14,180,590	19,095,852
	60,906,376	52,945,690

Notes to the financial statements (continued)**26b. Accrued charges and other liabilities**

<i>In thousands of Leones</i>	2010	2009
Accrued expenses	4,853,589	3,038,722
P.S. Bond in circulation	449	449
Retention monies	224,761	194,487
Trade and sundry creditors	24,837	999,235
	<u>5,103,636</u>	<u>4,232,893</u>

26c. Currency in circulation

<i>In thousands of Leones</i>	2010	2009
Notes	622,422,094	477,861,495
Coins	9,168,249	8,576,348
Balance at 31 December	<u>631,590,343</u>	<u>486,437,843</u>

The liability for notes and coin issued is the net liability after offsetting notes and coin held by the Bank of Sierra Leone as cash on hand, because cash held by the bank does not represent currency in circulation.

26d. Provision for revaluation of pipeline liabilities

<i>In thousands of Leones</i>	2010	2009
Balance at January	291,192,731	215,769,090
Revaluation (gain)/loss	(263,014,300)	75,423,641
Disbursement	-	-
Balance at 31 December	<u>28,178,431</u>	<u>291,192,731</u>

The provision for revaluation of pipelines is a contingency provision in respect of pipeline deposits. This relates to the purported obligation of the Bank to settle liabilities to commercial Banks in relation to money they deposited in Leones on behalf of importers in exchange for the Bank settling their foreign currency obligation. The liability as stated reflect the currency Leone value of identifiable currency liabilities to a number of commercial banks with respect to foreign currency obligations that were not settled by the bank.

Notes to the financial statements

27. End of service benefit

<i>In thousands of Leones</i>	2010	2009
Present value of obligation	1,076,066	437,754
Recognised liability for end of service benefit obligation	<u>1,076,066</u>	<u>437,754</u>

Movement in the present value of end of service benefit

Change in liability		
Balance at January	437,754	-
Service cost	638,312	437,754
Interest cost	-	-
Actuarial (gain)/loss	-	-
Benefit paid	-	-
Balance at 31 December	<u>1,076,066</u>	<u>437,754</u>

The provision has not been actuarially valued.

28. Issued capital

<i>In thousands of Leones</i>	2010	2009
Authorised:	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid	<u>50,000,000</u>	<u>50,000,000</u>
Balance at January/31 December		

Section 10(1) and 71 of the Bank of Sierra Leone Act 2000 require the Bank of Sierra Leone to maintain a minimum paid up capital of Le 50billion, which is to be subscribed within five years from the commencement of the Bank of Sierra Leone Act (that is 15 February 2005). This paid up capital has been fully subscribed and is held exclusively by the Government of Sierra Leone.

Notes to the financial statements (continued)

29. Reserves and retained earnings

<i>In thousands of Leones</i>	2010	2009
General reserves (a)	(89,796,802)	(237,587,132)
Other reserves (b)	172,233,749	(114,443,488)
Total reserves as at 31 December	82,436,947	(352,030,620)

(a) General reserve

<i>In thousands of Leones</i>	2010	2009
Balance at start of the year	(237,587,132)	(375,517,007)
Net Loss for the year	(23,344,685)	(22,905,132)
Revaluation gain for the year	286,677,237	53,424,504
Loss on sale of marketable securities	(6,364,985)	(1,664,993)
Transfer to foreign exchange reserve	(286,677,237)	(53,424,504)
Fair value reserve	161,930,000	162,500,000
Securities for prior year losses	15,570,000	-
Balance at 31 December	(89,796,802)	(237,587,132)

Under Section 10(6) subject to section 71 of the Act, where the judgement of the Board, the assets of the Bank are less than the sum of its liabilities and minimum paid-up capital, the Board shall notify the Minister who shall, notwithstanding any other provision of this Act, authorised the transfer of the Bank funds, readily marketable securities or foreign exchange for the purpose of preserving the minimum paid-up capital of the Bank from impairment.

(b) Other reserves

<i>In thousands of Leones</i>	2010	2009
Foreign exchange revaluation reserves (i)	139,440,830	(147,236,407)
Property revaluation reserve (ii)	32,792,919	32,792,919
Balance at 31 December	172,233,749	(114,443,488)

(i) Foreign exchange revaluation reserves

<i>In thousands of Leones</i>	2010	2009
Balance at start of the year	(147,236,407)	(200,660,911)
Transferred from general reserve	286,677,237	53,424,504
Balance at 31 December	139,440,830	(147,236,407)

Notes to the financial statements (continued)

29. Reserves and retained earnings (continued)

In accordance with Section 54(1) of the Bank of Sierra Leone Act 2000, gains and losses arising from any changes in the valuation of the Bank's foreign currency denominated assets and liabilities resulting from changes in the rate of exchange of the Leone, or any change in the value parties or exchange rate of assets with respect to the Leone are taken to the Foreign Exchange Revaluation Reserve.

Under Section 54(3) of the Act, any net debit in this Reserve Account will be cancelled by future revaluation gains or by transfers from the General Reserve. Additionally no profit shall be credited to the Revaluation Reserve Account until the amount is sufficient to cover the losses reflected by the debit that has been transferred.

(ii) Property revaluation reserves

<i>In thousands of Leones</i>	2010	2009
Balance at start of the year and end of the year	<u>32,792,919</u>	<u>32,792,919</u>
Balance at 31 December	<u>32,792,919</u>	<u>32,792,919</u>

The Bank maintains a property revaluation reserve to which is transferred revaluation gains on revaluing its properties

30. Contingencies and commitments

30a. Contingent liabilities

<i>In thousands of Leones</i>	2010	2009
Guarantees and Endorsement	164,735,939	280,881,096
Promissory notes	<u>1,163,939</u>	<u>2,822,576</u>
	<u>165,899,878</u>	<u>283,703,672</u>

30b. Capital commitments

<i>In thousands of Leones</i>	2010	2009
Capital expenditure	4,102,331	1,661,049
African Export Import Bank	<u>3,358,408</u>	<u>3,084,544</u>
	<u>7,460,739</u>	<u>4,745,593</u>

Notes to the financial statements (continued)**Contingencies and commitments (continued)****30c. Pending law suits, legal proceedings and claims**

The Bank has pending litigations against it in relation to three former employees who are claiming damages for wrongful dismissal, upward revision of pension and payment of terminal benefits and other allowances. However, the Bank has appealed against the judgements and the matters are presently at the Court of Appeal. In the event that the appeals are not successful, the Bank would be liable to pay an amount not less than Le547 million excluding interest at the rate of 35% per annum and solicitor's costs.

31. Related parties*Parent and ultimate controlling party*

Although the Bank is an autonomous entity, the Government of Sierra Leone being the sole subscriber to the share capital of the Bank, is in principle the owner of the Bank. The Bank continued to act as the banker and adviser to, and fiscal agent of, the Government of Sierra Leone as laid down in statutes. In the course of executing these duties, the Bank facilitates payments to the Government's suppliers and creditors, and extends credit facilities to the Government.

As at 31 December 2010, total advances to the Government was Le 177.59 billion (2009: Nil).

The Board of Directors (including the Governor and Deputy Governor) received remuneration amounting to Le 1.38 billion (2009: Le 1.28 billion). The Governors benefited from rent allowance and vehicles for official and domestic purposes. Board members did not benefit from any loan during the period under review. A total of Le 35.80 million (2009: Le 41.27 million) was contributed to the National Social Security and Insurance Trust Scheme (NASSIT) on behalf of the Governors.

Senior Management received remuneration of Le 1.13 billion (2009: Le 1.63 billion) and benefited from official vehicles. Outstanding loans to senior management totalled Le 63.77 million (2009: Le 107.79 million). A total of Le 108.09 million (2009: Le 106.12 million) was contributed on their behalf to NASSIT.

Deposits from Government totalled Le 131 billion (2009: Le 339 billion).

32. Post balance sheet events

Events subsequent to the statement of financial position date are reflected only to the extent they relate directly to the financial statements and their effect is material. There were no such events on the date the financial statements were signed.