

Notes to the financial statements

1. Reporting entity

LAPO Microfinance Company Limited was incorporated in Sierra Leone on 30 October 2007. Its principal activity is the provision of micro finance loans to business women who fall within the target group using a flexible duration methodology which is one of five months, six months or eight months as the case maybe depending on the repayment method required by the customer. The loans attract monthly interest charge at the rate of 2%. The five and eight month loan carries weekly repayments characteristics while the six months loan has monthly repayment characteristics. It commenced full operation in March 2008. It is affiliated with LAPO (NGO) and the address of its head office is 56 John Street in Freetown.

2. Basis of preparation

(a) Basis of presentation of the financial statement

These financial statements have been prepared in accordance with the basis of accounting described in note 2 of the financial statements and in the manner required by the Companies Act Sierra Leone. Details of the company's accounting policies are included in notes 24.

(b) Basis of measurement

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

(c) Fundamental and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the organisation's operates (the functional currency). The financial statements are presented in Leones, which is the organisation's functional and presentation currency.

(d) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 11: Impairment allowance for bad loans.