MISSION STATEMENT

A leading financial services provider delivering value to all stakeholders

CONTENTS


SIERRA LEONE
Konkonan
Makump
Kenema
Pendembu
Mano
Songo
Waterloo
Kent
Banana
Bandajuma

NOTICE OF MEETING

Notice is hereby given that the Thirty Fifth Annual General Meeting of the Sierra Leone Commercial Bank Limited will be held at the registered office of the Bank Christian Smith Building, 29/31 Siaka Stevens Street, Freetown on Thursday, 26th June 2008 at 11:00 a.m. for the purpose of transacting the following business:

1. To open the meeting

2. To adopt the Minutes of the 34th Annual General Meeting held on 2nd May 2007

3. To receive and consider the Annual Report of the Directors, the Auditors' Report, and Audited Accounts for the year ended, 31st December 2007.

4. To authorise the directors in consultation with the Auditor General to appoint the Auditors and negotiate their fees.

5. To consider any other business proper to be transacted at an Annual General Meeting

29/31 SIAKA STEVENS STREET
FREETOWN

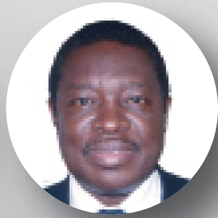
DATED: 23RD JUNE 2008

BY ORDER OF THE BOARD

CHRISTIANA M JOHNSON (MS)
SECRETARY TO THE BOARD

BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE


Sheiki G Bangura

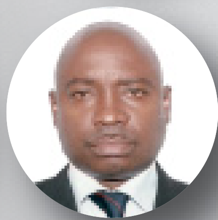

Chrispin B Deigh


Emile I S Kargbo


Ansu B Lansana


Alpha M Jalloh


Salamatu Manley (Mrs)


Ibrahim Y Thorlu-Bangura


C M Johnson (Ms)

BOARD OF DIRECTORS:

Sheiki G Bangura	– Chairman (Appointed 16 June 2008)
Chrispin B Deigh	– Ag Managing Director (Appointed 15 February 2008)
Emile I S Kargbo	– (Appointed 16 June 2008)
Ansu B Lansana	– (Appointed 16 June 2008)
Alpha M Jalloh	– (Appointed 16 June 2008)
Salamatu Manley (Mrs)	– (Appointed 16 June 2008)
Ibrahim Y Thorlu-Bangura	– (Appointed 16 June 2008)
Henry Yagba Bangura	– (Appointed 16 June 2008)

As at 31 December 2007

Patrick Pius Samu	– Chairman
Alhaji Dr. Abdulai Kakay	– Managing Director
Alhaji Fattah A Gibril	
David Woobay	
Bankole John	
PC S A S Gbonda II	

COMPANY SECRETARY: C M Johnson (Ms)

REGISTERED OFFICE:
Christian Smith Building
29/31 Siaka Stevens Street
Freetown

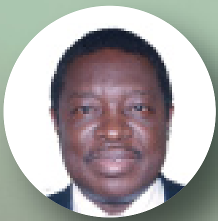
AUDITORS:
PKF
Chartered Accountants and Business Advisers
Regent House, 12 Wilberforce Street, Freetown

TAX ADVISERS:
KPMG
Bicentenary House, 17 Wallace Johnson Street, Freetown

SOLICITORS:
Renner-Thomas & Co
15 Lamina Sankoh Street, Freetown

Sisay and Associate
43 Mahei Boima Road (1st Floor), Bo

HEAD OFFICE MANAGEMENT AND BRANCHES

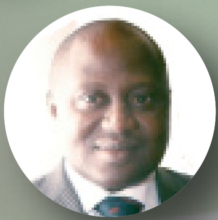


Chrispin B Deigh

Ayodeji Scott-Boyle (Mrs)

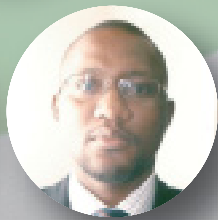
Raymond M Roberts

Patrick S Conteh



Bockarie Kalokoh

George C Taylor



Idrissa A Kamara

ACTING MANAGING DIRECTOR	Chrispin B Deigh *ACIB (England)MBA Finance (Leicester) U.K.*
EXECUTIVE DIRECTOR ADMINISTRATION	Ayodeji D Scott-Boyle (Mrs.) *ACIS (London)*
EXECUTIVE DIRECTOR BANKING OPERATIONS	Raymond M Roberts *B.SC Econs (USL)*
EXECUTIVE DIRECTOR RISK MANAGEMENT	Patrick S Conteh *B.Sc Econs (HONS.) Econs.(USL) FCCA (UK; MBA (Oxford Brookses University UK)*
EXECUTIVE DIRECTOR/BUSINESS DEVELOPMENT/ SPECIAL ASSISTANT TO THE MANAGING DIRECTOR	Bockarie Kalokoh *B.Sc. (Econs) Hons. (USL), ACA (Nigeria), Associate Member – Institute of Internal Auditors*
EXECUTIVE DIRECTOR INFORMATION AND COMMUNICATION TECHNOLOGY	George C Taylor *OCBSM B.Sc Hons. Financial Services (USL)*
EXECUTIVE DIRECTOR, FINANCE & STRATEGY	Idrissa A Kamara *ACCA(London) ACA (SL) MBA Finance (Leicester) U.K.*
INSPECTOR	Mohamed Hassan
COMPANY SECRETARY/HEAD HUMAN RESOURCES	C M Johnson (Ms) *BA Dip.ED.(USL),ACIS(London)*

BRANCHES

SIAKA STEVENS STREET BRANCH		
	SENIOR MANAGERS	Magnus A W Mansaray *(Diploma in Busness Administration)*
		Christian C O George *B.Sc Hons. Financial Services (USL)*
		John B Sankoh *B.Sc Hons. Financial Services (USL)*
		Abdul R Mujtabah *B.A.(USL) EMBA St Clements University*
LIGHTFOOT BOSTON STREET BRANCH	*MANAGER*	Cecil T Jones *B.A. (Ed) (USL)*
CONGO CROSS BRANCH	*MANAGER*	Abu D Kargbo
KENEMA BRANCH	*MANAGER*	Abdul H Bangura *B.Sc Hons. Financial Services(USL)*
BO BRANCH	*MANAGER*	Allieu B Conteh *B.Sc Hons Financial Services (USL) Post Graduate Diploma in Business Adminsitration*
MAKENI BRANCH	*MANAGER*	John Mans *MAAT*
KOIDU BRANCH	*MANAGER*	Justin Kenneh
CLINE TOWN BRANCH	*MANAGER*	Claudia Coker (Mrs)
MOBIMBI BRANCH	*MANAGER*	Festus Crosbie

MANAGING DIRECTOR'S REVIEW

Chrispin B Deigh

OVERVIEW

The financial year 2007 was a challenging year for the bank in particular and the banking sector in general. There was a lull in economic activities, more particularly in the construction sector, during the prolonged national electioneering process that lasted for most of the year.

The advent of three new entrants further intensified the competition in this close sector resulting in split banking and concessionary offerings to many large corporates.

These factors negatively impacted on the bank's expected budgetary performance.

Notwithstanding these challenges the bank maintained its leadership role in providing short term financing facilities to mainly private sector entities and active mobilisation of deposits. Thereby the bank sustained a commendable level of balance sheet growth in an increasingly difficult and competitive environment. Revenue earnings were also strong revealing a major strength of the bank.

However inflationary pressures, consistently increasing operating, human resource and administration costs created a significant increase in the cost/income ratio.

Against this background and as a result of delayed provisioning for impairment loans, the bank posted operating loss of Le.4.4bn, an exceptional circumstance in the history of the bank.

With regards to regulatory compliance, the bank in adherence to the requirement of the Banking Act, further issued 3 billion bonus shares of Le1 each from retained earnings to meet the graduated minimum stipulated capital of Le9bn for 2007. The bank also achieved a capital adequacy ratio of 25 % (2006: 28 %) of its weighted risk assets, above the minimum threshold of 15% required by the Central Bank.

FINANCIAL REVIEW

Despite the difficult operating climate in 2007, the bank's total revenue showed an increase of 2.7% from Le 35.9bn to Le 36.9bn, as a result of increases in interest income, commission fees and foreign exchange trading fees.

While a commendable level of revenue was achieved, the bank incurred huge operating expenses which grew 30.1% from Le23.8bn in 2006 to Le31.0bn. This expense growth was driven by significant human resource cost, which increased 41.2% from Le9.4bn in 2006 to Le13.3bn as a result of meeting remuneration, training and development cost of an expanded human resource base to meet the increasing operational requirements and branch expansion programme.

With the completion and capitalisation of new development costs, depreciation charges including amortisation of the acquired banking software, went up 34% from Le3.3bn in 2006 to Le4.4bn. Increasing administrative cost of maintaining assets and huge operating and maintenance cost of diesel powered generators in the absence of reliable energy grid affected the operating results for the year.

MANAGING DIRECTOR'S REVIEW *CONTINUED*

Results included an amount of Le12.2bn in net bad debt charge following impairment review of some direct exposures and crystallized contingent liabilities. These provisions which reflected a significant increase over the 2006 figures represented re-classified facilities of which repayments will be very protracted. A significant portion of these facilities are fully collateralised and appropriate action is in train to enforce repayments. Consequently, the bank reported a net loss of Le4.4bn as at 31st December 2007.

Notwithstanding this exceptional operating loss, balance sheet growth potentials remain strong with industry lead in loans and overdrafts, demand and time deposits and asset base. Total assets grew by 11.2% from Le250.7bn to

Le278.8bn as a result of significant increases in key asset categories;

- Overseas banks' balances recorded growth of 7.7% from Le64.7bn in 2006 to Le69.7bn while customer' deposits increased by 21.3% from Le189.2bn in 2006 to Le229.4bn due to sustained deposit mobilisation initiatives.
- Credit to mainly private sector concerns increased by 8.5% from Le67.2bn in 2006 to Le72.9bn while placement in government securities also increased by 17.9% from Le36.6bn in 2006 to Le43.2bn.
- As a result of capital investment in new branch expansion programmes to support our market development and customer outreach strategies, fixed assets recorded an increase of 13.4% from Le43.3bn in 2006 to Le49.1bn.

OPERATIONS

Process reengineering remained an established culture in our quest to achieving full automation in both front and back offices with the objective of achieving delivery excellence. Our centralised back office centre exhibited commendable handling of high volume transaction growth, thereby alleviating back office processing from all Freetown branches.

With renewed initiatives for a more structured approach to customer retention, the Marketing and Business Development sector has been developed to oversee an effective Customer Relationship Management regime. This reinforces our focus on client relationships management with the view to delivering consistent customized and personalised high valued services to customers.

We are proud that our achievement in this area is aided by the confidence of our customers in a problem free operation for over thirty five years and indications are our objectives in that direction are being realised as is also reflected in the resultant balance sheet growth.

Our cross border and international payments through SWIFT, money market operations and loans processing achieved full automation thereby saving execution time and facilitating effective customer service delivery. Efforts are at an advanced stage to rollout similar straight through processes in other aspects of our operations.

BRANCH DEVELOPMENT

In line with our strategic focus in extending our branch network to new regional areas, Mobimbi branch started operations in April to provide services to the mining companies, mines personnel and the surrounding communities.

Njala branch reconstruction was completed and ready for business and now await the relocation of the University which is now slated for the last quarter in the ensuing year.

Work is in progress at the Freetown Wilkinson Road branch project, a modern banking complex to meet the growing business needs in the west end of the city where several business concerns are now relocating.

The bank remain committed to its branch expansion policy in order to take advantage of growth opportunities and also strengthen its presence within the country in meeting the competition from well established regional banks and reaching out to the large unbanked population.

New branch locations in the Freetown rural district were identified for preparation so as to become operational in the course of 2008.

TECHNOLOGY

Our Information and communications Technology strategy was guided by the necessity to deploy technology solutions of global standing and architecture in our local market to position us to effectively compete in the expanding and very competitive banking sector.

The Flexcube 6.2 banking application platform is therefore a solid foundation for the delivery and

MANAGING DIRECTOR'S REVIEW *CONTINUED*

management of high volumes with resilience in supporting other electronic delivery channels such as Internet banking on real time basis, SMS banking, and e-statement.

In addition, the Flexcube application is well positioned to receive other systems application to facilitate Automated Clearing Processes and Real Time Gross Settlements (RTGS) to which the banking system will be migrating in 2009.

As we harness technology, the bank will be developing its capacity to drive superior services to customers nationwide and to this end effective staff training in acquiring appropriate knowledge base for full utilisation of the banking software remains a high priority.

HUMAN RESOURCE DEVELOPMENT

With the largest pool of talents in the industry, we also recorded lower staff turnover despite an industry wide increase in skills demand. We remain committed to providing requisite training and other appropriate avenue for professional self development for our young and dynamic workforce.

Consequently, staff are duly motivated with remuneration and welfare packages in line with industry standards, resulting in commendable display of commitment even in difficult circumstances.

As we strive towards developing authentic leaders who would drive our business success through both in house and external training and other skills development processes, we continue to demand high performance, nurture teamwork and respect for each other.

Maintaining our vision as the leading financial Institution in the country can only be sustained through a dependable, reliable and dedicated team of talented staff to whom we extend sincerest appreciation for their commitment in serving our divers customers over the period and to stress our reliance on their continuous show of dedication to duty.

To those who retired from the service of the bank during the year, we sincerely express appreciation for their contribution and wish them well in their retirement plans.

CORPORATE SOCIAL RESPONSIBILITY

The bank in the course of the year demonstrated its involvement in the local communities by supporting social, environmental and developmental initiatives in partnering with relative educational and health agencies. In this connection the bank provided meaningful assistance towards educational programmes, child hunger and poverty reduction and sporting activities.

BUSINESS OUTLOOK 2008

With the political climate stabilised following the successful national elections, the bank is now poised to achieve recovery and growth having regard to our technological strength and our ability to generate significant earnings from our operations.

Despite the exceptional loss of 2007, indications are the ensuing year is quite promising and the adverse results will be reversed with operations restored to profitable levels within the first quarter of 2008.

The availability of electricity will drive economic activities in both private and public sectors and the bank will take advantage of potential economic growth in any sector.

We are determined to leverage our technological infrastructure powered by Flexcube 6.2 banking application and VSAT wide area network coverage for the enhancement of electronic solutions such as ATMs, SMS, internet banking and e-statement in order to enforce our client relationship structures.

We plan to face competition with every determination by strengthening our business development activities through sustained marketing, branch expansion, improved service delivery and innovative products and services.

Operating cost containment will be pursued with vigour. We intend to make meaningful reduction in operational and administrative costs while not compromising on standards and quality. Our cost to income ratio should be in line with industry average.

Our customer centric approach will continue with our branch expansion programme intensified and introduction of extended banking hours and Saturday operations, in our quest to take banking closer to the public, more especially in reaching the unbanked.

We reiterate our commitment in providing support to the private sector in general and in particular wish to reiterate our priority consideration for agro based businesses, food production and marketing in general, mainly to promote the realisation of food security.

MANAGING DIRECTOR'S REVIEW *CONTINUED*

ACKNOWLEDGEMENT

We take this opportunity to thank our esteemed customers for their patronage and understanding during these challenging times for the bank.

While we extend a warm welcome to our new board members, we extend sincerest appreciation and thanks to the previous Board of Directors for their dedicated services to the bank. The management team and staff deserve our gratitude for their contribution and commitment.

We also extend gratifying appreciation to our correspondents and other strategic partners such as International Finance Corporation (IFC) supporting our operations, especially in the area of trade finance.

The cooperation from the National Commission for Privatisation, the Central Bank and that of the Ministry of Finance is gratifying and we look forward to more cooperation in the coming year.

CHRISPIN BISHOP DEIGH
ACTING MANAGING DIRECTOR

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report to the shareholders together with the audited financial statements for the year ended 31 December 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with International Financial Reporting Standards and the requirements of the Companies Act Cap. 249. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHARE CAPITAL

Details of the bank's share capital are given in note 24 to the financial statements.

DIVIDENDS

The Directors do not recommend the payment of dividends for the year (2006: dividend of 63.33 SL cents per share).

FINANCIAL STATEMENTS

The annexed financial statements adequately disclose the results of the bank's operations during the year.

CAPITAL ADEQUACY

The bank is required to maintain a minimum Capital Adequacy Ratio of 15% of total adjusted assets.

As at 31 December 2007 the capital adequacy of the bank was 25%. (2006 : 28%). Details of the computation are shown in note 32 to these financial statements.

DIRECTORS AND THEIR INTERESTS

Details of the Directors who served during the year and those constituting the current Board are provided on page 1 of this report.

The Directors who are appointed by the Government of Sierra Leone (the sole beneficial owners of all the shares in the company) continue in office until their appointments are otherwise determined or renewed by the National Commission for Privatisation pursuant to Section 13 of the National Commission for Privatisation Act 2002.

No Director had during the period, or has, a material interest in any contract or arrangement of

significance to which the bank was, or is, a party.

AUDITORS

The auditors, Messrs PKF, appointed under section 80 of the Public Budgeting and Accounting Act 1992, retire at the forth-coming Annual General Meeting. The auditors, PKF, having signified their willingness to continue in office, offer themselves for re-appointment. The appointment of the auditors for the ensuing year will be confirmed by the Auditor General.

BY ORDER OF THE BOARD

CHRISTIANA M JOHNSON (MS)
SECRETARY TO THE BOARD

REPORT OF THE INDEPENDENT AUDITORS, PKF, TO THE SHAREHOLDERS OF SIERRA LEONE COMMERCIAL BANK LIMITED

We have audited the accompanying balance sheet of Sierra Leone Commercial Bank Limited as at 31 December 2007 and the related statements of income and cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the directors. 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 as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the bank as at 31 December 2007 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board and have been properly prepared in accordance with the requirements of the Companies Act Cap. 249.

PKF

CHARTERED ACCOUNTANTS
FREETOWN
DATE: 19TH JUNE 2008

INCOME STATEMENT

For the year ended 31 December 2007

In thousands of Leones	*Note*	**2007**	2006
Interest and similar income	6	**28,866,431**	27,010,241
Interest expenses and similar charges	6	**–5,531,259**	–4,037,300
Net interest income		**23,335,172**	22,972,941
Net fee and commission income	7	**8,644,771**	8,444,073
Net trading income	8	**4,737,994**	4,293,761
Other operating income	9	**207,985**	242,830
(Impairment losses on loans and advances)/			
release from bad and doubtful debts	10	**–12,251,169**	–1,261,837
Operating expenses	11	**–31,010,216**	–23,826,063
Operating (loss)/profit		**–6,335,463**	10,865,705
Income tax credit/(expense)	12	**1,895,663**	–3,262,327
(Loss)/profit after taxation		**–4,439,800**	7,603,378

Earnings per share for (loss)/profit attributable to the equity holders of the bank during the year

In Leones per share	*Note*	**2007**	2006
Basic	13	**(0.49)**	0.42

The notes on pages 15 to 32 are an integral part of these financial statements

BALANCE SHEET

For the year ended 31 December 2007

In thousands of Leones	*Note*	**2007**	2006
Assets			
Cash and balances with the Central Bank	*14*	**16,032,613**	13,412,585
Balances with other banks	*15*	**66,776,812**	64,752,572
Treasury bills and other eligible bills	*16*	**43,217,700**	36,645,150
Equity investments	*17*	**937,305**	327,305
Loans and advances to customers	*18*	**72,864,849**	67,176,719
Other assets	*19*	**23,530,142**	21,175,230
Income tax receivable	*12*	**6,253,767**	3,886,431
Property, plant and equipment	*20*	**49,057,613**	43,280,801
		278,670,801	250,656,793
Liabilities			
Due to customers	*21*	**229,427,841**	189,170,810
Other liabilities	*22*	**6,132,093**	12,039,653
Deferred income tax liabilities	*12b*	**2,946,873**	4,842,536
Total liabilities		**238,506,807**	206,052,999
Shareholders equity			
Issued share capital	*24*	**9,000,000**	6,000,000
Reserves	*25*	**22,891,854**	22,891,854
Retained earnings	*26*	**8,272,140**	15,711,940
Total equity		**40,163,994**	44,603,794
Total liabilities and Shareholders' equity		**278,670,801**	250,656,793

These financial statements were approved by the Board of Directors on 19th June 2008.

Directors

The notes on pages 15 to 32 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

In thousands of Leones

	Revaluation Reserve	Statutory Reserve	Development Reserve	Capital Reserve	Other Reserves	Total	Issued Share Capital	Revenue Reserve	Total Shareholders' Equity
Balance at 1 January 2006	16,727,744	2,217,742	65,979	650	78,050	19,090,165	1,000,000	20,710,251	40,800,416
Total recognised gains	–	–	–	–	–	–	–	7,603,378	7,603,378
Transfer from revenue reserve	–	–	–	–	–	–	5,000,000	–5,000,000	–
Transfer to statutory reserve	–	3,801,689	–	–	–	3,801,689	–	–3,801,689	–
Dividends to shareholders	–	–	–	–	–	–	–	–3,800,000	–3,800,000
Balance at 31 December 2006	**16,727,744**	**6,019,431**	**65,979**	**650**	**78,050**	**22,891,854**	**6,000,000**	**15,711,940**	**44,603,794**
Balance at 1 January 2007	16,727,744	6,019,431	65,979	650	78,050	22,891,854	6,000,000	15,711,940	44,603,794
Total recognised gains/(losses)	–	–	–	–	–	–	–	–4,439,800	–4,439,800
Transfer from revenue reserve	–	–	–	–	–	–	3,000,000	–3,000,000	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–	–	–	–	–
Balance at 31 December 2007	**16,727,744**	**6,019,431**	**65,979**	**650**	**78,050**	**22,891,854**	**9,000,000**	**8,272,140**	**40,163,994**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2007

In thousands of Leones	Note	2007	2006
Operating activities			
Interest received	6	**28,866,431**	27,010,241
Interest paid	6	**–5,531,259**	–4,037,300
Loan provision	10	**–12,251,169**	–1,261,837
Fees and commissions received	7	**8,644,771**	8,444,073
Operating expenses paid	11	**–31,010,216**	–23,826,063
Other operating income	8, 9	**4,945,979**	4,536,591
Depreciation of property, plant and equipment	20	**4,431,654**	3,308,105
Cash flows from operating profits before changes in operating assets and liabilities		**–1,903,809**	14,173,810
Changes in operating assets and liabilities			
Loans and advances to customers		**–5,688,130**	–18,504,386
Deposits from customers		**40,257,031**	40,210,145
Other assets		**–2,354,912**	–13,086,865
Other liabilities		**–2,107,560**	–1,382,819
Net cash flows from operating activities before tax		**28,202,620**	21,409,885
Income tax paid	12	**–2,367,336**	–3,513,683
Cash flows from operating activities		**25,835,284**	17,896,202
Investment activities			
Equity		**–610,000**	–
Acquisition of property, plant and equipment	20	**–10,208,466**	–7,959,070
Cash flows from investing activities		**–10,818,466**	–7,959,070
Financing activities			
Dividends paid		**–3,800,000**	–5,000,000
		–3,800,000	–5,000,000
Net increase in cash and cash equivalents		**11,216,818**	4,937,132
Cash and cash equivalents at 1 January		**114,810,307**	109,873,175
Cash and cash equivalents at 31 December	28	**126,027,125**	114,810,307

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1 GENERAL INFORMATION

Sierra Leone Commercial Bank Limited provides retail, corporate, consumer banking and other financial services to its customers in Sierra Leone.

The bank currently operates from its Head Office and nine branches throughout the country and employs 407 staff (2006 : 359 staff).

The bank was incorporated, and is domiciled in Sierra Leone. The address of its registered office is Christian Smith Building, 29/31 Siaka Stevens Street, Freetown.

These financial statements have been approved for issue by the Board of Directors on 19 June 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

2.1 Basis of preparation

Sierra Leone Commercial Bank Limited's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and the restatement of financial assets and liabilities at fair values.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Foreign currency translation

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

(b) **Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items such as equities held at fair values are reported as part of the fair value gains or losses.

2.3 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. When calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs and premiums or discounts.

The recognition of interest ceases when the payment of interest or principal becomes doubtful. Interest is included in income thereafter, only when it is received. Loans are returned to the accruals basis only when doubt about their collectibility is removed and when the outstanding arrears of interest and principal are received.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

2.4 Fee and commissions income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loans.

Commissions and fees arising from negotiating or participating in the negotiations of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other usually on a time-apportionate basis.

2.5 Financial assets

The bank classifies its financial assets in the following categories: financial assets at their fair value through profit or loss; loans and receivables; held to maturity investment; and available for sale financial assets. Management determines the classification of its investment at initial recognition.

2.6 Impairment of financial assets

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event or events have impacted on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

2.7 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years).

2.8 Property, plant and equipment

Land and buildings comprise mainly branch and office buildings. All property, plant and equipment are stated at historical cost or revaluation less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 items can be measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Major improvements are capitalised.

All freehold buildings and leasehold premises with unexpired lease terms of more than 50 yearsare maintained to such a standard that the estimated residual values are considered to be equal to or greater than the gross book values. Accordingly no depreciation is provided on freehold buildings. The value of leasehold premises with unexpired lease terms of less than 50 years is amortised over periods appropriate to the relevant lease terms on a straight line basis.

Land is not depreciated. Fixed equipment, fixtures and fittings are depreciated on a straight line basis over their estimated usful lives of 7 years, and not exceeding the period of the lease of the associated property. Computers are depreciated over a period of 3 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in currencies indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.9 Advances

(a) **Balance sheet disclosure**
Advances are stated in the balance sheet at the amounts of principal and interest outstanding less any provisions for bad and doubtful debts and interest suspended. Advances are analysed between the total amounts outstanding and provisions.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

(b) **Impairment losses on loans and advances**
The bank reviews its loan portfolios to assess impairment regularly.

Provision for bad and doubtful debts are made having regard to both specific and general risks.

The specific element of the provision relates to those loans that have been individually reviewed and specifically identified as bad or doubtful. The general element of the provision relates to those existing losses that although not yet specifically identified, are known from experience to be present at any year end in the bank's portfolio of loans and advances. In determining the level of provision required, management considers numerous factors including, but not limited to, domestic economic conditions, the composition of the loan portfolio and prior bad debts experience.

Provisions made during the year (less amounts released and recoveries of loans previously written off) are charged separately in the income statement. Loans are written off when the extent of any loss has been confirmed.

2.10 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three month's maturity from the date of acquisition, including cash and non restricted balances with the Central Bank, loans and advances to banks, amounts due from other banks and short-term government securities.

2.11 Provision

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

2.12 Employee benefits

a) ***Pension obligations***
The bank operates a defined contribution scheme. The scheme is generally funded through payments to the National Social Security and Insurance Trust or trustee-administered funds. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) ***Gratuity fund***
The bank also contributes 5% of employee's basic salaries to a gratuity fund. Under the rules of the fund, employees receive their benefits when they leave the services of the bank.

c) ***Staff profit sharing scheme***
At present the bank does not operate a profit-sharing scheme for its staff but only pays out annual bonuses to each staff.

A profit sharing scheme has been approved in principle by the National Commission for Privatisation but not yet implemented.

2.13 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rate (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the defferred income tax liability is settled.

Deferred tax assets are recongised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

2.14 Taxation

Income tax payable on profits, based on the applicable law in Sierra Leone is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

The bank provides for income taxes at the current rates on the taxable profits.

3 FINANCIAL RISK MANAGEMENT

3.1 Strategy in using financial instruments

The bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The bank seeks to increase these margins by consolidating short-term funds and lending for longer period at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The bank seeks to raise the interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances, but also guarantees and other commitments such as letters of credit and performance and other bonds.

3.2 Credit risk

The bank takes on exposures to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the bank's portfolio, could result in losses that are different from those provided at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups or borrowers and to geographical and industry segments. Limits on the level of credit risk by product, industry sector are approved by the Board of Directors.

The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposure.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits, where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit – which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they related and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

3.3 Market risk

The bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency which are exposed to general and specific market movements. The bank applies a 'value at risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

3.4 Currency risk

The bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial positions and cash flows. The bank sets limits on the level of exposure by currency.

In thousands of Leones

	Le	Euros	US$	GBP	Total
Cash and balances with the Central Bank	14,232,684	708,792	1,049,265	41,872	16,032,613
Cash balances with other banks	–	4,531,522	60,335,909	1,909,381	66,776,812
Treasury bills and other eligible bills	43,217,700	–	–	–	43,217,700
Equity investments	937,305	–	–	–	937,305
Loans and advances to customers	72,864,849	–	–	–	72,864,849
Property, plant and equipment	49,057,613	–	–	–	49,057,613
Other assets	23,530,142	–	–	–	23,530,142
Income tax receivable	6,253,767	–	–	–	6,253,767
Total assets	**210,094,060**	**5,240,314**	**61,385,174**	**1,951,253**	**278,670,801**
Liabilities					
Due to customers	153,833,191	3,893,508	68,848,847	2,852,295	229,427,841
Other liabilities	6,132,093	–	–	–	6,132,093
Deferred tax liabilities	2,946,873	–	–	–	2,946,873
Total liabilities	**162,912,157**	**3,893,508**	**68,848,847**	**2,852,295**	**238,506,807**
Net on-balance sheet position	**47,181,903**	**1,346,806**	**–7,463,673**	**–901,042**	**40,163,994**

3.5 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair values and cash flows risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

3.6 Liquidity risk

The bank is exposed to daily call on its available cash resources from deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash settled transactions. The bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

The table below analyses the bank's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date:

In thousands of Leones

	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Assets						
Cash and balances with the Central Bank	16,032,613	–	–	–	–	16,032,613
Treasury and other eligible bills	–	43,217,700	–	–	–	43,217,700
Due from other banks	66,776,812	–	–	–	–	66,776,812
Loans to customers	12,425,049	–	57,779,092	974,697	1,686,011	72,864,849
Equity investments	–	–	–	–	937,305	937,305
Income tax receivable	–	–	–	6,253,767	–	6,253,767
Other assets	6,680,714	2,620,355	13,876,017	7,435,165	41,975,504	72,587,755
Total assets	**101,915,188**	**45,838,055**	**71,655,109**	**14,663,629**	**44,598,820**	**278,670,801**
Liabilities						
Due to customers	227,485,299	1,643,760	220,483	78,299	–	229,427,841
Other liabilities	1,236,970	3,406,901	1,275,463	212,759	–	6,132,093
Deferred tax liabilities	2,946,873	–	–	–	–	2,946,873
Total liabilities	**231,669,142**	**5,050,661**	**1,495,946**	**291,058**	**–**	**238,506,807**
Net liquidity gap	**–129,753,954**	**40,787,394**	**70,159,163**	**14,372,571**	**44,598,820**	**40,163,994**
At 31 December 2006						
Total assets	85,975,548	41,256,376	72,907,523	13,578,830	36,938,516	250,656,793
Total liabilities	192,953,231	8,404,612	4,409,601	285,555	–	206,052,999
Net liquidity gap	–106,977,683	32,851,764	68,497,922	13,293,275	36,938,516	44,603,794

The match and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the the amount of the commitment because the bank does not generally expect the third party to draw funds under the agreement. The total outstanding contract amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experiences and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a half yearly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the bank, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

5 BUSINESS SEGMENTS

The bank is organised and operates in Sierra Leone through its Head Office and nine other branches. It carries out retail, corporate and other banking activities in all of these branches.

6 NET INTEREST INCOME

In thousands of Leones	**2007**	2006
Interest and similar income		
Interest income		
Cash and cash equivalents	**2,348,749**	1,559,673
Investment in Government securities	**7,530,961**	10,728,767
Loans and Advances to customers	**18,986,721**	14,721,801
	28,866,431	27,010,241
Net interest expense		
Deposits from customers	**5,531,259**	4,037,300

7 NET FEE AND COMMISSION INCOME

In thousands of Leones	**2007**	2006
Foreign cheques and other fees and commission	**77,093**	152,187
Credit related fees and commission	**4,514,907**	3,652,762
Commission on turnover	**4,052,771**	4,639,124
	8,644,771	8,444,073

8 NET TRADING INCOME

In thousands of Leones	**2007**	2006
Foreign exchange:		
Translation/transactions gains less losses	**4,737,994**	4,293,761

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

9 OTHER OPERATING INCOME

In thousands of Leones	**2007**	2006
Rent receivables and others	**207,985**	242,830
	207,985	242,830

10 (IMPAIRMENT LOSSES ON LOANS AND ADVANCES)/RELEASE FROM BAD AND DOUBTFUL DEBTS

In thousands of Leones	**2007**	2006
This comprises:		
Increase in general provision	**13,500,005**	1,653,701
Recoveries during the year	**–1,248,836**	–391,864
	12,251,169	1,261,837

11 OPERATING EXPENSES

In thousands of Leones	**2007**	2006
Salaries and allowances	**10,935,647**	7,810,514
Provident Fund Contributions and retirement benefits	**1,233,131**	705,477
Other employee costs	**1,106,908**	886,533
	13,275,686	9,402,524
Depreciation	**4,431,654**	3,308,105
Occupancy costs	**688,275**	475,280
	18,395,615	13,185,909

Other operating expenses

In thousands of Leones	**2007**	2006
Audit fees	**67,500**	60,000
Repairs and maintenance	**1,241,700**	953,329
Information communication and technology cost	**2,385,226**	2,268,220
Other related costs	**4,128,927**	2,982,880
Donations	**239,358**	336,271
Marketing	**1,879,230**	1,743,620
Utilities	**2,647,910**	2,269,984
Office tax consultation	**24,750**	25,850
	12,614,601	10,640,154
Total operating expenses	**31,010,216**	23,826,063

Included in the above costs is directors' remuneration of Le175.9m (2006: Le132.6m).

The number of persons employed by the bank during the year was 407 (2006: 359).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

12 INCOME TAX ACCOUNT

In thousands of Leones	2007	2006
Expense per income statement		
Taxation per income statement at the effective rate of 30% (2006: 30%)	–	1,680,724
Deferred taxation	–1,895,663	1,581,603
	–1,895,663	3,262,327
Per balance sheet		
At 1 January	–3,886,431	–2,053,472
Tax charge	–	1,680,724
	–3,886,431	–372,748
Payments made during the year	–2,367,336	–3,513,683
Balance carried forward at 31 December	–6,253,767	–3,886,431

12a Effective Tax Reconciliation

The tax on the company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits on the company as follows:

In thousands of Leones	2007	2006
Tax calculated at a tax rate of 30% (2006: 30%)	–1,900,639	3,258,767
Effects of tax rate change	–	–
Deferred tax under provision (prior year)	–	–
Current income tax over provision	–	–
Tax impact of permanent differences:		
Expenses not deductible for tax purposes	95,707	119,040
Income not subject to tax	–59,275	–68,443
Tax incentive	–31,456	–47,037
	–1,895,663	3,262,327

12b Deferred Tax Account

In thousands of Leones	2007	2006
At 1 January	4,842,536	3,260,933
Charge to Income Statement	–1,895,663	1,581,603
At 31 December	2,946,873	4,842,536

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

13 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the bank by the weighted average number of shares in issue during the year.

In thousands of Leones	**2007**	2006
Profit attributable to equity holders of the bank	**–4,439,800**	3,801,689
Weighted average number of ordinary shares in issue (in thousands)	**9,000,000**	9,000,000
Basic earnings per share (expressed in Leones shares)	**(0.49)**	0.42

Capitalisation/Bonus Issue

During the year, 3 billion ordinary shares were issued to existing shareholders for no additional consideration. The number of ordinary shares outstanding before the event has been adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred on 1 January 2006.

14 CASH AND BALANCES WITH THE CENTRAL BANK

In thousands of Leones	**2007**	2006
Cash on hand	**11,739,933**	3,295,982
Other money market placements	**1,500,000**	3,850,548
Balance with the Central Bank	**2,792,680**	6,266,055
Included in cash and cash equivalents (note 28)	**16,032,613**	13,412,585

The bank was able to meet the minimum cash reserves and liquidity ratios as stipulated in the Banking Act.

15 BALANCES WITH OTHER BANKS

In thousands of Leones	**2007**	2006
Nostro balances	**66,776,812**	64,752,572
Items in the course of collection from other banks	**–**	–
Included in cash and cash equivalents (note 28)	**66,776,812**	64,752,572

16 TREASURY BILLS AND OTHER ELIGIBLE BILLS

In thousands of Leones	**2007**	2006
Treasury bills	**42,580,800**	36,645,150
Treasury bearer bonds	**636,900**	–
Included in cash and cash equivalents (note 28)	**43,217,700**	36,645,150

Treasury bills are debt securities issued by the Government of Sierra Leone through the Central Bank for a term of three months. All bills are subject to variable interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

17 EQUITY INVESTMENTS

In thousands of Leones	2007	2006
Equity securities in:		
First Discount House Limited	**525,000**	165,000
Capital Discount House	**350,000**	100,000
Home Finance Company Limited	**62,305**	62,305
	937,305	327,305

18 LOANS AND ADVANCES TO CUSTOMERS

a Analysis by type of customer

In thousands of Leones	2007	2006
Individuals and other private enterprises	**17,313,763**	4,829,663
Staff	**3,239,797**	2,662,767
Public enterprises	**78,873,396**	68,228,778
	99,426,956	75,721,208
Less:		
Allowances for losses on loans and advances	**–16,268,870**	–4,025,517
Interest in suspense	**–10,293,237**	–4,518,972
	72,864,849	67,176,719

b Analysis by sector

In thousands of Leones	2007	2006
Agriculture, forestry and fishing	**5,081,109**	1,021,255
Manufacturing	**1,837,326**	4,514,617
Construction	**20,678,974**	16,698,138
Commerce and Finance	**15,981,518**	17,772,967
Transport, storage and communication	**9,941,752**	13,207,606
Services	**39,891,052**	18,612,824
Miscellaneous	**1,814,777**	1,798,437
Electricity, gas and water	**4,200,448**	2,095,364
	99,426,956	75,721,208
Less:		
Allowances for losses on loans and advances	**–16,268,870**	–4,025,517
Interest in suspense	**–10,293,237**	–4,518,972
	72,864,849	67,176,719

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

c Type of advance

In thousands of Leones	**2007**	2006
Loans	**20,464,806**	20,893,654
Overdrafts	**78,962,150**	54,827,554
	99,426,956	75,721,208
Less:		
Allowances for losses on loans and advances	**–16,268,870**	–4,025,517
Interest in suspense	**–10,293,237**	–4,518,972
	72,864,849	67,176,719

d Allowances for losses on loans and advances

In thousands of Leones	**2007**	2006
Movement in allowances for losses on loans and advances:		
Provision at 1 January	**4,025,517**	2,829,392
New provisions	**13,500,005**	1,653,700
Provision released to Income Statement	**–1,248,836**	–391,864
Debts written off	**–7,816**	–65,711
Provision at 31 December	**16,268,870**	4,025,517

e Interest in suspense

In thousands of Leones	**2007**	2006
Provision at 1 January	**4,518,972**	3,456,043
Net interest accrued and credited to suspense	**5,774,265**	1,062,929
	10,293,237	4,518,972

19 OTHER ASSETS

In thousands of Leones	**2007**	2006
Bills receivable	**6,680,714**	7,810,391
Office accounts	**2,620,358**	4,611,226
Sundry receivables	**14,229,070**	8,753,613
	23,530,142	21,175,230

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

20 PROPERTY, PLANT AND EQUIPMENT

In thousands of Leones

	Computer equipment and software	Land and buildings	Furniture and equipment	Motor vehicles	Work-in progress	Total
Cost or valuation						
Balance at 1 January 2006	8,349,364	27,609,306	6,637,376.00	1,560,176	6,192,803	50,349,025
Accumulated depreciation	–5,962,386	–1,861,515	–3,046,876	–848,412	–	–11,719,189
Carrying amount	**2,386,978**	**25,747,791**	**3,590,500**	**711,764**	**6,192,803**	**38,629,836**
End of year – 2006						
Opening carrying amount	2,386,978	25,747,791	3,590,500	711,764	6,192,803	38,629,836
Acquisitions/transfers	5,928,520	4,421,988	1,393,640	922,116	–4,707,194	7,959,070
Depreciation charge	–1,267,612	–796,434	–917,894	–326,165	–	–3,308,105
Carrying amount	**7,047,886**	**29,373,345**	**4,066,246**	**1,307,715**	**1,485,609**	**43,280,801**
At 31 December 2006						
Cost	14,278,391	32,031,293	8,021,969	2,482,292	1,485,609	58,299,554
Accumulated depreciation	–7,230,505	–2,657,949	–3,955,722	–1,174,577	–	–15,018,753
Carrying amount	**7,047,886**	**29,373,344**	**4,066,247**	**1,307,715**	**1,485,609**	**43,280,801**
End of year – 2007						
Opening carrying amount	7,047,886	29,373,344	4,066,247	1,307,715	1,485,609	43,280,801
Acquisitions	900,043	1,152,036	1,044,733	548,278	6,563,376	10,208,466
Depreciation charge	–2,295,756	–778,121	–931,723	–426,054	–	–4,431,654
	5,652,173	**29,747,259**	**4,179,257**	**1,429,939**	**8,048,985**	**49,057,613**
At 31 December 2007						
Cost	15,178,434	33,183,329	9,066,702	3,030,570	8,048,985	68,508,020
Accumulated depreciation	–9,526,261	–3,436,070	–4,887,445	–1,600,631	–	–19,450,407
Carrying amount	**5,652,173**	**29,747,259**	**4,179,257**	**1,429,939**	**8,048,985**	**49,057,613**

Work-in-progress relates to costs incurred on various construction projects for the bank and its branches, which were not completed at the balance sheet date.

21 DUE TO CUSTOMERS

In thousands of Leones	**2007**	2006
Current accounts	**78,895,288**	66,935,326
Savings accounts	**72,995,359**	57,932,232
Time deposits	**1,942,543**	2,513,006
Customers foreign currency funds held	**75,594,651**	61,790,246
	229,427,841	189,170,810

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

22 OTHER LIABILITIES

In thousands of Leones	**2007**	2006
Accrued interest not yet credited	**1,236,970**	1,452,893
Office accounts	**3,619,660**	435,710
Bills payable	**1,275,463**	6,351,050
Dividends	**–**	3,800,000
	6,132,093	12,039,653

23 EMPLOYEE BENEFIT OBLIGATIONS

In thousands of Leones	**2007**	2006
Amount recognised in the income statement are as follows:		
Gratuity payments	**630,779**	304,418
National Social Security and Insurance Trust Fund	**602,352**	401,059
Total included in other employee costs	**1,233,131**	705,477

24 SHARE CAPITAL

	No. of shares	No. of shares
Authorised share capital:		
Ordinary shares of Le1 each	**18,000,000,000**	18,000,000,000

	2007		2006	
Issued Share Capital	No. of Shares	Proceeds	No. of Shares	Proceeds
In thousands of Leones		Le		Le
Fully paid shares	**6,000,000,000**	**6,000,000**	6,000,000,000	6,000,000
	3,000,000,000	**3,000,000**	–	–
	9,000,000,000	**9,000,000**	6,000,000,000	6,000,000

In accordance with Central Bank Regulation, the bank issued 3 billion units of bonus shares during the year, in order to meet the stipulated minimum capital requirement.

25 RESERVES

In thousands of Leones	**2007**	2006
Capital reserves	**650**	650
Statutory reserves	**6,019,431**	6,019,431
Revaluation reserves	**16,727,744**	16,727,744
Development reserves	**65,979**	65,979
Other reserves	**78,050**	78,050
Total reserve as at 31 December	**22,891,854**	22,891,854

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

25(a) Statutory reserve

Section 21 (1) of the Banking Act requires a licensed bank to transfer out of profits for each year, to a reserve fund an amount of 50% of the net profit for the year where the balance of the reserve fund is less than 50% of the paid up capital of the bank and an amount of 25% of the net profit for the year where the balance of the reserve fund is 50% or more but less than 100% of the paid up capital of the bank. In view of the reported after-tax losses, no transfer was made to the statutory reserve.

25(b) Development reserve

This represents amounts set aside out of profits and before recommending a dividend at the discretion of the directors in accordance with Section 117 of the Articles of Association, which could be employed in the business of the Bank or invested in such investments as the Directors may from time to time think fit. No transfer was made to this reserve for the year under review.

25(c) Capital reserve

This represents amounts transferred from the other reserves at the discretion of the Directors. No such transfer was made during the year under review.

25(d) Other reserves

This represents amounts transferred from profits at the discretion of the Directors. No such transfer was made during the year under review.

26 RETAINED EARNINGS

In thousands of Leones	2007	2006
Movements in retained earnings were as follows:		
At 1 January	**15,711,940**	20,710,251
Net (loss)/profit for the year	**–4,439,800**	7,603,378
Dividend	**–**	–3,800,000
Transfer to Share Capital	**–3,000,000**	–5,000,000
Transfer to Statutory Reserve	**–**	–3,801,689
	8,272,140	15,711,940

27 DIVIDENDS

In thousands of Leones	2007	2006
Dividends proposed:		
Nil (2006 – 63.33 Cents per ordinary share on 6,000,000,000 share)	**–**	3,800,000

Dividends are proposed by the Board of Directors and are ratified at the Annual General Meeting. The proposed dividend is accrued for in the financial statements.

At a meeting on 19 June 2008, it was agreed that no dividends be proposed for the year (2006: 63.33 SL cents per share).

28 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

In thousands of Leones	2007	2006
Cash and balances with the Central Bank (note 14)	**16,032,613**	13,412,585
Balances with other banks (note 15)	**66,776,812**	64,752,572
Treasury bills and other eligible bills (note 16)	**43,217,700**	36,645,150
	126,027,125	114,810,307

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

29 COUNTRY ANALYSIS

The amount of total assets and total liabilities held inside and outside the country is analysed below:

In thousands of Leones	**2007** In Sierra Leone	**2007** Outside Sierra Leone	2006 In Sierra Leone	2006 Outside Sierra Leone
Assets				
Cash and bank balances	**16,032,613**	**66,776,812**	13,412,585	64,752,572
Treasury bills and other eligible bills	**43,217,700**	**–**	36,645,150	–
Equity investments	**937,305**	**–**	327,305	–
Other asset accounts	**23,530,142**	**–**	21,175,230	–
Advances	**72,864,849**	**–**	67,176,719	–
Income tax receivables	**6,253,767**	**–**	3,886,431	–
	162,836,376	**66,776,812**	142,623,420	64,752,572
Property, plant and equipment	**49,057,613**	**–**	43,280,801	
Total assets	**211,893,989**	**66,776,812**	**185,904,221**	**64,752,572**
Liabilities				
Deposits and current accounts	**229,427,841**	**–**	189,170,810	–
Other liabilities	**6,132,093**	**–**	12,039,653	–
Deferred tax liabilities	**2,946,873**	**–**	4,842,536	–
Total liabilities	**238,506,807**	**–**	206,052,999	–

29a Included in assets held outside Sierra Leone are the balances held with banks in the countries stated below:

In thousands of Leones	**2007**	2006
United Kingdom	**12,796,971**	8,772,373
Germany	**5,721,084**	5,421,607
United States of America	**48,258,757**	49,192,345
Others	**–**	1,366,247
	66,776,812	64,752,572

30 CONTINGENCIES, LIABILITIES AND COMMITMENTS

(a) Legal proceedings

There was a number of court cases in which the Bank was the plaintiff for the year to 31 December 2007. No provision has been made as professional advice indicates that it is unlikely that any significant costs will be paid.

(b) Capital commitments

At 31 December 2007, the bank had capital commitments of Le7.3 billion (2006: Le1.48 billion) in respect of building construction and equipment purchases. The bank is confident that future net revenues and funding will be sufficient to cover this commitment.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

(c) Liabilities on acceptances, guarantees and indemnities

The contractual amounts of the bank's off-balance sheet financial instrument that commit it to extend credit to customers are as follows:

In thousands of Leones	2007	2006
Liabilities on Acceptances, Guarantees and Indemnities	**24,811,618**	23,649,730
Liabilities on confirmed Documentary Credits	**1,056,532**	8,550,689
	25,868,150	32,200,419

(d) Contingent liability

In 2004, the bank issued various advance payment guarantees to Civil Engineering Company Limited (CEC) in support of a contract for the reconstruction of the Freetown-Conakry highway amounting to Euro 2.3M and Le1.1bn. This contract was terminated in September 2007.

Following the termination of the contract, CEC Limited submitted a draft final account for review and confirmation by the employers and this process was still in progress as at the time of concluding the Audit in May 2008.

Correspondences between the European Union, NAO and the Bank strongly indicate that the contractors are very likely to fully recover all of the advance payment guarantees. Additionally the bank is in the process of obtaining a charge on the Company's assets worth US$ 2.4M.

31 RELATED PARTY TRANSACTIONS

The Bank has a related party relationship with its Directors and Officials.

A number of business transactions were entered into with its related parties in the normal course of business. These include the maintenance of deposit accounts and advances given out to them.

The volumes of related party transactions and outstanding balances at the year end are as follows:

	Directors and key Management personnel	
In thousands of Leones	**2007**	2006
Loans/advances		
Directors	**711,248**	231,515
Officials	**2,212,538**	2,324,916
Outstanding at 31 December	**2,923,786**	2,556,431

No provision has been recognised in respect of loans given to related parties (2006: nil).

The loans issued to Directors and officials during the year are repayable in monthly instalments over varied number of years and have interest rates ranging from 5% to 10% (2006: 5% to 10%). Some of the loans advanced to the directors and officials during the year are collateralised by various securities.

	Directors and key Management personnel	
In thousands of Leones	**2007**	2006
Deposits		
Officials	**761,804**	781,440
Outstanding at 31 December	**761,804**	781,440
Key management compensation		
Salaries and other short-term benefits	**1,984,211**	1,403,488
	1,984,211	1,403,488

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

For the year ended 31 December 2007

Directors' remuneration

A listing of the members of the Board of Directors is shown on page 3 of the financial statements. In 2007, the total remuneration of the directors was Le175.9m (2006: Le132.6m).

32 CAPITAL ADEQUACY RATIO

The capital adequacy ratio is the quotient of the capital base of the bank and the bank's risk-weighted asset base. In accordance with Section 20(1) of the Banking Regulations, the bank is supposed to maintain a minimum capital adequacy ratio of 15%.

In thousands of Leones	**2007**	2006
Capital base:		
1. Tier 1 Capital		
Issued capital	**9,000,000**	6,000,000
Statutory reserve	**6,019,431**	6,019,431
Retained earnings	**8,272,140**	15,711,940
Other reserves	**144,679**	144,679
	23,436,250	27,876,050
2. Tier 1 Capital		
Capital reserve	**16,727,744**	16,727,744
Total Capital base	**40,163,994**	44,603,794

Risk-weighted assets				
On balance sheet				
Assets	**Amount**	**Weighting %**	**2007**	2006
Nostro balances	**66,776,812**	**20**	**13,355,362**	12,950,514
Advances (non cash guaranteed):				
Licensed institutions	**–**	**20**	**–**	935,690
Legal mortgage	**43,459,102**	**50**	**21,729,551**	14,884,226
Others	**29,405,747**	**100**	**29,405,747**	33,478,918
Other assets	**23,530,142**	**100**	**23,530,142**	21,175,230
Fixed assets	**49,057,613**	**100**	**49,057,613**	43,280,801
	212,229,416		**137,078,415**	126,705,379
Off balance sheet assets				
Performance bonds, acceptances (less cash security)	**24,285,337**	**100**	**24,285,337**	22,499,624
Letters of credit (less cash security)	**1,056,532**	**100**	**1,056,532**	8,550,689
	25,341,869		**25,341,869**	31,050,313
Total	**237,571,285**		**162,420,284**	157,755,692
Capital adequacy ratio			**25%**	**28%**

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