

KENDIL MICROFINANCE INSTITUTION S.C

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024

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**Tesfaye Teferi Anbessie,**  
**Authorized Audit Firm**  
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4<sup>th</sup> Floor, Tibebe Building in front of Dream liner Hotel, Mesquel Flower, Addis Ababa, Ethiopia



1. Management and Registered office

CORPORATE INFORMATION		
Company TIN Number		
Management	Name	Position
	Ato Abraham Anbesa Ato Kibrom Kiros	General manager Finance manager
Registered Office	Address: Shashemene, Oromiya Kebele 03 P O Box 617 Shashemene Ethiopia	
Independent Auditor	Website:	
	Email: <a href="mailto:seyamfi@yahoo.com">seyamfi@yahoo.com</a>	
	Tesfaye Teferi Anbesse Chartered Certified Auditors P O Box 102297 Email: <a href="mailto:tesfayetef@gmail.com">tesfayetef@gmail.com</a> Address: Tibebeu Building in front of Dreamliner Hotel, Meskel Flower, Addis Ababa Ethiopia	


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 REPORT NO. 154



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## 2. Statement of Management Responsibility

In accordance with the Proclamation No. 847/2014, 'Financial Reporting Proclamation', the Accounting and Auditing Board of Ethiopia (AABE) has made a mandatory requirement for Public Interest Entities to prepare their financial statements in compliance with International Financial Reporting Standards (IFRS). The Management is responsible for the preparation and fair presentation of the Company's financial reports in full conformity with the requirements of the International Financial Reporting Standard issued by the International Accounting Standards Board (IASB) which provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.

The Commercial Code of Ethiopia 2021 also requires the Management to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 2021 also requires the Management to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

Thus, the management is responsible to keep records that may be relied upon and to design, implement and maintain such internal control to enable the preparation of financial statements that are free from material omissions or misstatement, whether due to fraud or error.

The management is also responsibilities to:

- i. select and apply accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- ii. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- iii. Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

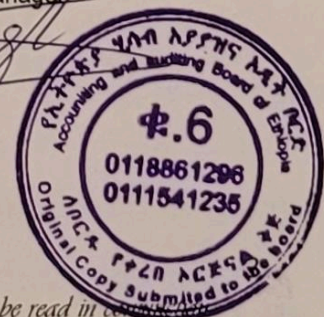
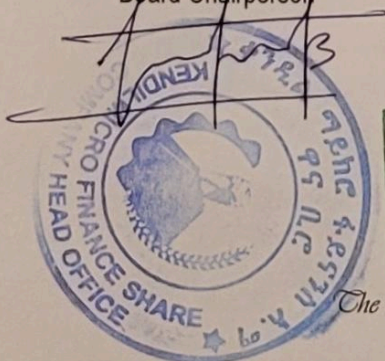
The Management certify that, to the best of their knowledge, the financial report comply with IFRS in that it involves a fair presentation of the effects of transactions, other events and conditions in accordance with the definitions, recognition, presentation and disclosure requirements.

Nothing has come to the attention of the Management to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement. At the end of reporting period, the Management has assessed whether there is any indication that an asset may be impaired and confirmed that no any such indication exists.

Signed on behalf of the Management by:

Mekonnen Belete  
Board Chairperson

Abraham Anbesa  
General Manager



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Tesfaye Teferi Anbesse

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### 3. Independent Auditors' Report

#### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENDIL MICRO FINANCE INSTITUTION S.C

##### Opinion

We have audited the accompanying financial statements of Kendil Micro Finance Institution S.C ('the Company'), which comprise the statement of financial position as at June 30, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position as at June 30, 2024 and the income and expenses of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and applied consistently.

##### Basis of opinion

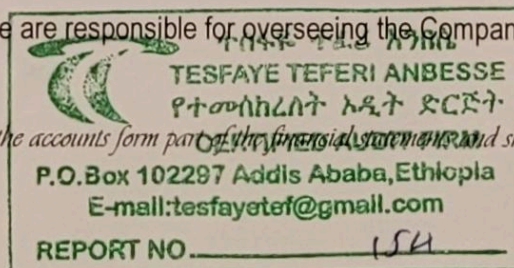
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Responsibilities of Directors and those charged with governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies adopted by the Company, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on that basis of these financial statements.

### Report on the Other Legal Requirements

Pursuant to the legal requirement under Section 375, Sub Article 2 of the Commercial Code of Ethiopia 2021, we have no deficiencies to report as a result of our examination whether the report of the Directors, to the extent we can assess, is consistent with the financial statements we audited. We therefore recommend approval of the accounts.

Tesfaye Teferi Anbesse  
Certified Audit Firm

December 3, 2024  
Addis Ababa

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4. Statement of Profit or Loss and Other Comprehensive Income

**KENDIL MICROFINANCE INSTITUTION S.C**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Notes	ETB	2023 ETB
<b>INCOME</b>			
Interest from loans	2.15, 13	60,938,816	42,856,865
Interest expenses			
Interest expense on clients saving	17, 27	8,187,573	5,326,530
Interest expense on borrowing	2.14, 19	17,958,129	12,025,903
		<u>26,145,702</u>	<u>17,352,433</u>
<b>Gross operating profit</b>		34,793,114	25,504,432
Service charges on loans	2.15(b), 14	8,825,425	7,493,550
Penalty income from clients	2.15(c), 15	3,297,656	2,336,969
Other Income	2.15(d), 16	6,112,179	3,351,256
		<u>53,028,374</u>	<u>38,686,207</u>
<b>EXPENSES</b>			
Depreciation Expense	25	823,004	682,053
Loan loss provision	21(1)	1,883,317	11,019
General and administrative	2.13, 18	32,892,283	22,235,419
<b>TOTAL EXPENSE</b>		<u>35,598,604</u>	<u>22,928,491</u>
<b>Net profit from operation</b>		17,429,770	15,757,716
<b>Other Comprehensive income</b>			
Movement in Fair Value of Equity Instrument		-	-
Revaluation Surplus (Deficit)		-	-
Tax on Comprehensive Income		-	-
Other Comprehensive Income (Net of Tax)		-	-
<b>Total other comprehensive income</b>		-	-
<b>Comprehensive Income for the Year</b>		<u>17,429,770</u>	<u>15,757,715</u>

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6. Statement of Changes in Equity

**KENDIL MICRO FINANCE INSTITUTION S.C**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<u>Paid Up</u> <u>Capital</u> <u>Birr</u>	<u>Treasury</u> <u>Stock</u> <u>Birr</u>	<u>Retained</u> <u>Earnings</u> <u>Birr</u>	<u>Revaluation</u> <u>Reserve</u> <u>Birr</u>	<u>Legal</u> <u>Reserve</u> <u>Birr</u>	<u>Donation</u> <u>capital</u> <u>Birr</u>	<u>Total</u> <u>Birr</u>
Balance at 30, June 2022	30,604,000	(888,864)	18,296,536	5,561,817	2,313,156	2,641,321	58,527,966
Increase/ decrease in donated Capital	-	-	-	-	-	-	-
Transfer to capital	15,302,000	-	(15,302,000)	-	-	-	-
Distributed Profit	-	-	-	-	-	-	-
Profit for the year	-	-	15,757,715	-	-	-	15,757,715
Legal Reserve	-	-	(787,886)	-	787,886	-	-
Dividend Obtained from ET-inclusive	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
<b>Balance at 30, June 2023</b>	<b>45,906,000</b>	<b>(888,864)</b>	<b>17,964,366</b>	<b>5,561,817</b>	<b>3,101,042</b>	<b>2,641,321</b>	<b>74,285,682</b>
Balance at 30, June 2023	45,906,000	(888,864)	17,964,366	5,561,817	3,101,042	2,641,321	74,285,682
Transfer to capital	16,526,160	-	(16,526,160)	-	-	-	-
Transfer to legal Reserve	-	-	(871,489)	-	871,489	-	-
Profit for the year	-	-	17,429,770	-	-	-	17,429,770
<b>Balance at 30, June 2024</b>	<b>62,432,160</b>	<b>(888,864)</b>	<b>17,996,487</b>	<b>5,561,817</b>	<b>3,972,531</b>	<b>2,641,321</b>	<b>91,715,452</b>


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8. Notes to the Financial Statements

**KENDIL MICROFINANCING INSTITUTION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

1. General Information

This report contains a set of financial statements for Kendil Microfinance Institution S.C. Company as of and for the year ended 30 June 2024.

Kendil Microfinance Institution S.C is a microfinance institution domiciled in Shashemene, Oromiya Regional State, Ethiopia. The Company was Established on Tir 7, 1993 (January 15, 2001) in accordance with Proclamation No. 40/96.it has been issued With Business License No. MFI 019/01 by the National Bank of Ethiopia of Ethiopia (NBE) on February 7, 2001 and renewed up to October 2025.Capital was Increased to birr 1,524,500 divided into 30,718 shares of birr 50 per value each. Furthermore, the capital of the company was raised to Birr 3,060,400 divided into 61,208 shares of birr 50 per value each. On Tahsas 2009 the capital of the company was raised to birr 12,241,600 divided into 244,832 shares of Birr 50 par value each. On February 07, 2022 the capital of the Company was raised to Birr 30,604,000 divided into 612,080 shares of Birr 50 par value each. Following the shareholders decision made on February 2023 the par value of the share raised to Birr 150. Accordingly, the Company has 612,080 shares in issue at Birr 150 par value each and the subscribed capital of the Company reached Birr 91,812,000. As at June 30, 2024, out of this subscribed capital, the paid up capital increased to Birr 62,432,160.

The objective of the Company include receiving, managing, saving and time deposits and provision of credit both in kind and in cash; and other such activities as listed down under article 2 of the Memorandum of Associations.

Vision, Mission and Governance

Vision

The vision of KMFI is to see poverty-eradicated, self-confidential and free from servitude citizen of Ethiopia by responding to the financial needs of economically active poor people through an autonomous micro-finance institution'.

Mission

The mission of KMFI is " Strive to bring positive change in respect of well-being of productive poor and less privileged category of the society specially women who do not have the chance to get access to the provision of appropriate and sustainable financial services and towards this end building a long term sustainable micro financial institution".

Moto of KMFI «Borrow wisely, Pay promptly, save regularly»



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**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 foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

**2.4. Financial instruments**

IFRS 9 sets out for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. The transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except for those carried at fair value through profit or loss which are measured initially at fair value.

Financial assets and financial liabilities are de-recognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition. In addition de-recognition of a financial asset in its entirety made at the difference between the carrying amount (measured at the date of de-recognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

**(i) Financial assets**

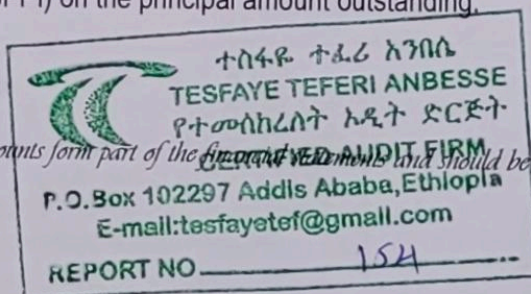
All financial assets are recognized and de-recognized on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time established by the market concerned.

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

**a) Classification of financial assets**

The Company classifies financial asset when it first recognizes them, based on its business model for managing the asset and the asset's contractual cash flow characteristics. A financial asset is subsequently measured at amortized cost if it meets both of the following conditions:

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.



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A financial asset is subsequently measured at fair value if it meets the following conditions.

- Fair value through other comprehensive income (FVOCI) - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

The Company may make the following irrevocable election at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Company may irrevocably designate a debt investment that meets the amortized cost or fair value through other comprehensive income (FVTOCI) criteria as measured at FVTOCI.

Debt instruments at amortized cost or at FVTOCI

The Company assesses the classification and measurement of a financial based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset.

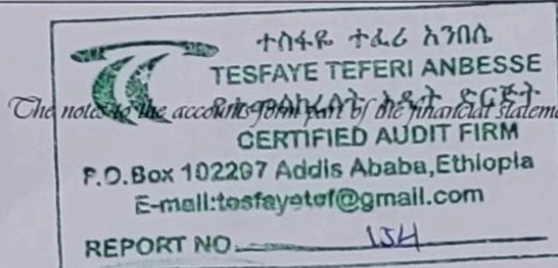
If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets. During the current financial and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made

Loans and advances to customers are classified at amortized cost.

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

The following tables summarize the carrying amounts and accounting classifications of the Company's financial instruments at the reporting date:

	At cost	Loans & Receivables	Amortized cost	Total
<b>As at June 30, 2024</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	-	107,872,318	-	107,872,318
Loans and advances to customers	-	216,482,570	-	216,482,570
Trade and other receivables	-	9,704,595	-	9,704,595
Prepayment and advances	-	-0	-	-0
Related party receivable	-	7,728,044	-	7,728,044
	-	<b>341,787,527</b>	-	<b>341,787,527</b>





Kendil Calculates Expected Credit Losses (ECL) by:

- a. Identifying scenarios in which a loan or receivable defaults;
- b. Estimating the cash shortfall that would be incurred in each scenario if a default were to happen;
- c. Multiplying that loss by the probability of the default happening; and
- d. Summing the results of all such possible default events.

Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an Expected Credit Loss associated with it - from the moment of its origination or acquisition.

At every reporting date, the Company analyses its trade and other receivables for impairment. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present at the date of assessment. Management uses estimates based on historical loss experience for trade receivables.

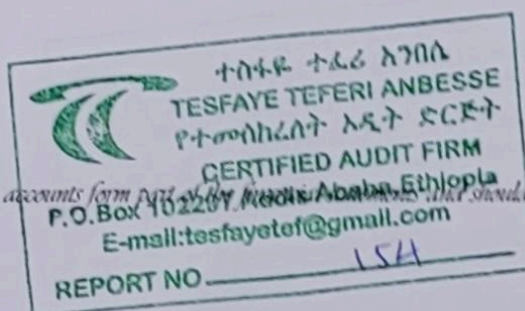
When estimating credit losses, the Company evaluates a range of possible outcomes attaching to them an unbiased probability-weighting; considers time value of money; and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the reporting date. In the process, the Company need not necessarily identify every possible forward looking scenario, but shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Company is required to recognize Expected Credit Losses (ECLs) based on unbiased forward-looking information. At the reporting date, an allowance is required for the 12 month (Stage 1) ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognized for the lifetime ECLs.

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directive No 28/2016, Loan Classification and Minimum Provisioning Requirement. As per the directive, loans are classified and provision is made as follows:

Loan classification	No of days past due	Minimum provision outstanding loan
Sub-standard	91 to 180 days	25%
Doubt full	181 to 365 days	50%
Loss	Over 365 days	100%

This is in line with the Expected Credit Loss model of IFRS 9 as explained above except that credit loss provision starts when loan is overdue for at least 91 days, instead of recognizing provision as soon as a financial instrument is originated or purchased. Loan is assumed by the directive as having zero credit loss until it is overdue by 91 days, after which date 12-month expected credit losses & life time credit loss is recognized.



The directive also provides that interest income on loans classified as non-performing shall not be recognized as income in the statement of profit or loss, unless it is collected in cash. This also is more prudent than the requirement of IFRS 9, which requires that if the credit risk of a financial asset increases to the point that it is considered credit-impaired (stage 3), interest revenue is calculated based on the amortized cost (i.e. the gross carrying amount less the loss allowance).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss.

**Write - off**

Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

According to IFRS 9.5.4.4, the Company shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a de-recognition event.

**(ii) Financial liabilities and equity**

Liability and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets of financial liabilities with another entity under conditions that are potentially unfavorable to the Company or a contract that may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company may be obliged to deliver a number of its own equity instruments.

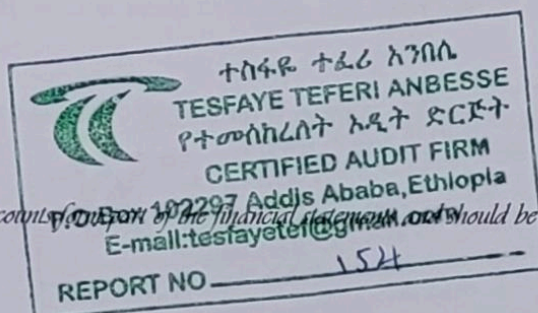
All financial liabilities are measured subsequently at amortized cost using the effective interest method. For all financial liabilities, the amounts presented on the statement of financial position represent all amounts payable including interest element.

**Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Fair value of a financial instrument at initial recognition is the transaction price/the fair value of the consideration given. When it is very difficult to obtain sufficient, more recent information to enable measurement of investments in equity at fair value, cost is used.



*Comments to the accounts for the year ended June 30, 2024 should be read in conjunction with the financial statements.*

## Derecognition

The Company derecognizes a financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) when:

- The rights to receive cash flows from the asset have expired; or
- The Company transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

The Company shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expired.

## 2.5. Leases

### i. The Company as a lessee

The Company assesses whether a contract contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lease, except for short-term leases (defined as lease term of 12 months or less).

Leases that do not transfer to the Company substantially the entire risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which it is incurred.

### ii. Leased assets

All leased assets are treated as finance lease except short-term and small value leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

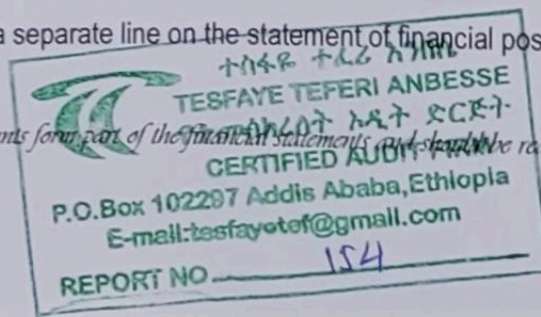
### iii. Right of Use Land

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right of Use Land owned is stated at cost. The cost of the lease is recognized in the cost of the buildings and depreciated at the same rate as the buildings, even if the lease period is greater than the useful life of the buildings.

In the case of leased assets, expected useful lives are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

The right-of-use-assets are presented as a separate line on the statement of financial position.



## 2.6. Property, Plant and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Buildings, computers and other equipment (comprising fittings and furniture) are initially recognized at acquisition cost and any directly attributable costs of bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the amount of the asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Depreciation is allocated on a systematic basis over its useful life. The Company assigns a residual value of ETB 10 to each individual asset that is subject to depreciation. The residual value is deducted from the last year of depreciation, instead of using the residual value in determining the depreciable amount. The depreciable amount remains the cost of the asset.

The Company depreciates all its assets on a straight-line basis over the useful lives of the assets as shown below:

Asset class	Estimated Useful life	Depreciation rate
Building	50 years	2%
Motor vehicle	20 years	5%
Furniture & fittings	10 years	10%
Computer and Accessories	5 years	20%
Office equipment	10 years	10%
Land improvement	20 years	5%

The Company commences depreciation when the asset is available for use.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal.

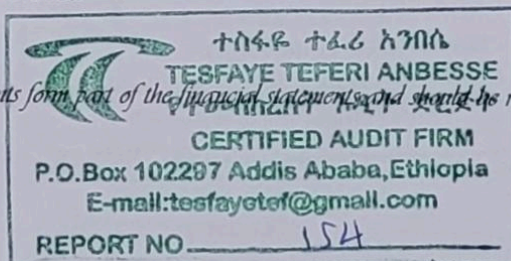
Any gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses on the date of retirement or disposal.

Property, Plant and Equipment (PPE) in the Company are tangible assets that are held for use in service sector, or for administrative purposes; are expected to be used during more than one period; and has a value of ETB 5,000 per item or more.

The useful lives and methods of depreciation of PPE are reviewed at each financial year end and adjusted prospectively, if applicable.

### Impairment testing of property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.



An impairment loss is recognized for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the corporation's latest approved budget, adjusted as necessary to exclude the effects of future re-organizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

**2.7. Investments in shares**

The Company has purchased shares with from Association of Ethiopian Microfinance Institution (AEMFI)-ET-Inclusive Finance Technology S.C. The Company has a vote equivalent to its share numbers along with other Microfinance Institutions those who have shares with Investee to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Currently, the investee has about twenty seven microfinance institutions in the country are its member shareholders. It has been helping microfinance institutions to get financial technologies such as mobile and agent banking technology and shared core banking system.

**2.8. Employee Benefits**

The Company has provided short-term, long-term and post-employment employee benefits.

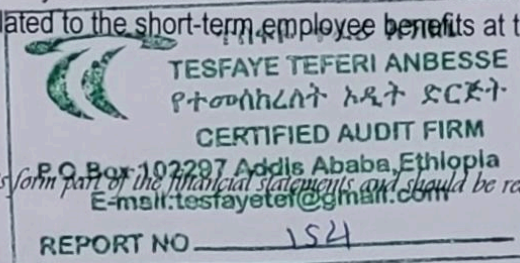
**a) Post-employment Benefit**

The Company's post-employment employee benefit is a defined contribution plan where it pays fixed monthly contributions into a government managed pension plan and will have no legal or constructive obligation to pay further contributions if the pension plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Pension fund contribution, funding under this scheme is 7% and 11% by employees and the Company respectively.

**b) Short term employee benefit and other long term employee benefit**

When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

**Short-term employee benefits:** are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The Company recognizes the expected cost of short-term employee benefits where it is contractually obliged or where there is a past practice that has created a constructive obligation. Salary and wages, annual leave, bonuses and incentives are recognized in the year in which the services are rendered by employees, and the Company measures the expected liability related to the short-term employee benefits at the reporting period.



*The notes to the accounts form part of the financial statements and should be read in conjunction.*



2.11. Other assets

a) Prepayments

Prepayments are payments made in advance for services to be enjoyed in future. The amount is initially capitalized in the reporting period in which the payment is made and subsequently amortized over the period in which the service is to be enjoyed.

b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

The Company's other receivables are classified as staff debtors and sundry debtors.

Staff debtors

In accordance with IFRS 9 Para 4.1.2 the entity shall recognize a loss allowance for expected credit losses (ECL's) on a financial asset that is measured at amortized cost if both of the following conditions are met:

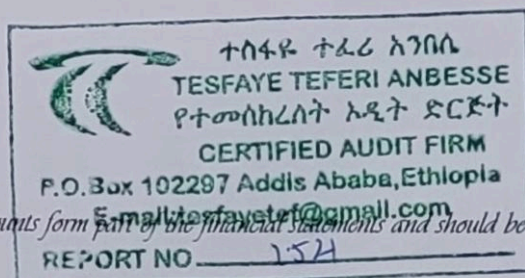
- i) The financial asset held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

However, the Company grants loan to its employee on the basis of the Company's operational manual. in accordance with this manual the loan will be granted to the employees of the Company as follows:

- a) Those employees who have provident fund with Company can allowed 85% of the accumulated amount by their particular name and such a loan will be repaid over a period of 18 months. If the person is fail to pay the loan amount the provident fund balance held by the name of the default person is automatically used to nil out the outstanding personal guarantee loan. There is no risk in this regard, and
- b) Those staff members who have no provident fund the loan granted to him/her is secured by two of the staff members of the Company as a collateral to settle the remaining balance of the default loan without any precondition. Because of the above conditions the management believes that the loan allowed to staffs of the Company is 100% secured and a loss allowance for expected credit losses on staff debtors are extremely insignificant.

2.12. Cash and cash equivalents

Cash comprises cash on hand, petty cash funds, currencies awaiting deposit and local or foreign currency deposits in Company's which can be added to or withdrawn without limitation and are immediately available for use in the current operations.



Notes to the accounts form part of the financial statements and should be read in conjunction.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. So, near their maturity date (3 month or less from the date of acquisition) that they present insignificant risk of changes in value because of changes in interest rates.

Cash is valued at face value. Cash and cash equivalents in currencies other than the Ethiopian Birr (ETB) are recorded at market exchange rates in effect at the time of transaction and restated to the equivalent ETB amount at prevailing market rates as of the date of the statement of financial position.

### 2.13. Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

### 2.14. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

### 2.15. Revenue recognition

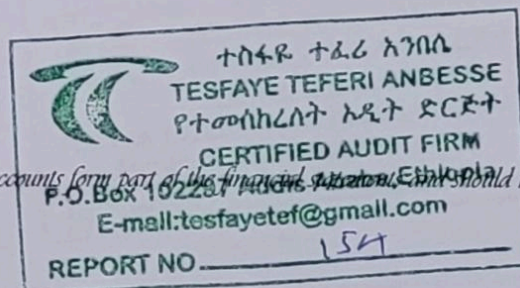
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### a. Interest income and interest expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured as at FVTPL are recognized in net interest income as interest income and interest expense in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is indicated within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or financial liability. The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

Income is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognizes income when (or as) it satisfies a performance obligation, i.e., when it transfers control of a product or services to customers.



The notes to the accounts form part of the financial statements and should be read in conjunction.

The major source of income of the Company is interest earned on loans. Interest income is calculated by the interest rate indicated in the loan agreements signed with the customers. The interest rate is stated in the loan contract agreements determined by the Board of Directors and NBE should be notified of the same. The current interest on loans is from 26-28% declining rate based on the duration of loan term and exceptional loan to shareholders that is available with 2% interest rate discount.

Interest on loans is accrued quarterly. Accruing interest on loans that are past due for over 90 day is against the provision of NBE's directive No.MFI/28/2016.

**b. Service fees on loans**

The Company earns Service fees of 5% on Group, Individual Business, consumption and Bajaj purchase loans disbursed during the reporting period and the amount is deducted from the approved loan of the period.

**c. Penalty income**

Penalty income represents amount collected from those customers who were not settled the loan repayments on time as indicated on the loan agreements.

**d. Other income**

Other income include fees other than the income indicated under 'a', those indicated above (see 'a, b & c'). the fees include income from insurance premium, house rent, gain from release of PPE, gain from sales of PPE and interest from saving and fixed deposit. Investment income also includes dividends when the right to receive payment is established and gain/loss on disposal of fixed assets.

**2.16. Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



notes to the accounts form part of the financial statements and should be read in conjunction.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for the identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 2.17. Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

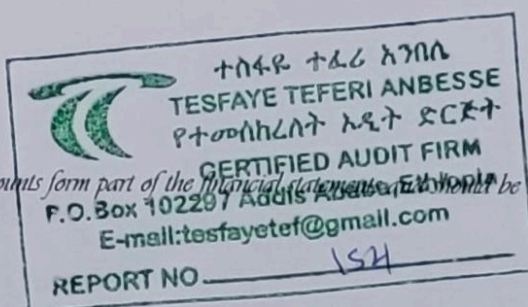
- Revaluation reserve - comprises gains and losses from the revaluation of assets at the time of transition to IFRS.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

### 3. Significant accounting judgments, estimates and assumptions

In applying the Company's accounting policies, the management and Board of Directors of the Company are required to make judgments that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associate assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.



The notes to the accounts form part of the financial statements and should be read in conjunction.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is 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.

a) **Critical judgments in applying accounting policies**

In the process of applying the Company's accounting policies, Management has made the following critical judgments:

- **Functional currency** - based on the economic substance of underlying circumstances relevant to the Company, management determines the functional currency of the Company to be the ETB. RTB is the currency of the primary economic environment in which the Company operates and it is the currency that mainly influences the loans to customers and interest income.
- **Business model assessment** - classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed.
- **Models and assumptions used** - the Company uses various models and assumptions in estimating Expected credit loss (ECL). Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.
- **Employee benefits obligations** - the Company provides short-term, long-term and post-employment benefits to its employees, short-term and long-term benefits are calculated based on reliable estimates where the measurement reflects the possibility that some employees may leave without receiving the benefits.
- **Fair value measurement of financial instruments** - When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets; their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
- **Revaluation of Property** - The management revalued its property, plant and equipment and applied fair value as deemed cost at the time it prepared its first IFRS compliant financial statements. Despite it uses professional valutors; judgments were used to ascertain fair values as per IFRS 13. From the three approaches of valuation, due to its practicability the cost model were the most frequently used which uses level 3 inputs that involve judgment.



- **Inventories** - Currently there is no inventory recognized in the financial statement. In case it occurs, management estimates the net replacement cost values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future prices.

**b) Key sources of Estimation uncertainty**

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

**Depreciation and carrying value of property, plant and equipment** - The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

**4. Provisions, contingent assets and contingent liabilities**

Provisions for legal claims are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

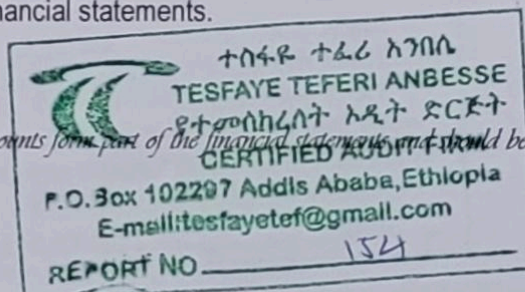
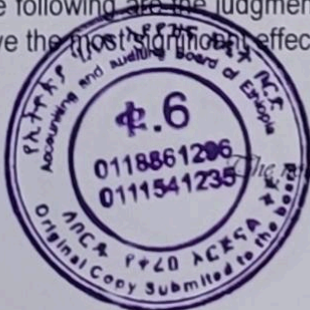
Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Institution is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Significant management judgment in applying accounting policies and estimation uncertainty when preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are the judgments made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.



The notes to the accounts form part of the financial statements and should be read in conjunction.

## 5. New Standards or Amendments on Standards and Interpretations

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There are no standards that are not yet effective that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. The following Accounting Standards and Interpretations are most relevant to the Company:

### 5.1 New or revised standards

#### IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term and that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024. The Company is required to disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. As at the reporting date, the company has no information that could reasonably be expected to affect the company's prospects.

#### IFRS S2 Climate-related Disclosures

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

These are climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. IFRS S2 applies to: climate-related risks to which the entity is exposed, such as climate-related physical risks and climate-related transition risks; and climate-related opportunities available to the entity.

IFRS S2 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024. The Company has not identified any climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects

### 5.2 Amendments

#### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. This will be effective for annual reporting periods beginning on or after 1 January 2024.



The Company has adopted the amendment. The company's classification of liabilities as current or non-current has become based on rights that are in existence at the end of the reporting period and the company has aligned the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and has made explicit that only rights in place "at the end of the reporting period" affect the classification of a liability.

### Definition of Accounting Estimates - Amendments to IAS 8

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendment is effective for annual periods beginning on or after 1 January 2023, earlier application is permitted. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors. The company has considered the impact of the amendment and implemented it.

### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by: Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. The amendments may impact the accounting policy disclosures of entities and determining whether accounting policies are material or not requires use of judgment. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardized information, or information that only duplicates or summarizes the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

The amendment is effective for annual periods beginning on or after 1 January 2023. The company assessed whether the accounting policies disclosed are significant or material and disclosed only material policies.



### Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability. Changes to the initial recognition exception under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g, if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2023. The Company has implemented the amendment from the effective date.

### Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The annual reporting periods begins on or after 1 January 2024. The company has no supplier financing arrangement in its operation currently, but when it has, it will comply with the amendment and present the new disclosures provided they are material.

### Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability and only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendment is effective for annual reporting periods beginning on or after 1 January 2024. The company has adopted the amendment and shall comply it.

## 6. Credit risk management

Credit risk is the risk of financial loss to the Company if a customer of counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other Company and investment securities.



The notes to the accounts form part of the financial statements and should be read in conjunction.



### III. Credit Related Commitments Risks

The Company holds collateral against loans and receivables to customers in the form of Company guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing.

### IV. Maximum Exposure To Credit Risk

Types of collateral or credit enhancement

KMFI loans that are channeled through groups shall jointly and severally be guaranteed by the group members. Furthermore, compulsory savings of individual group members will also be used as additional security for the loan. Third party guarantee in case of group loan may be required by the group members themselves for a member in a group whom they think is more risky in various ways.

The table below shows the Company's maximum exposure to credit risk which is represented by the net carrying amounts in the statement of financial position and the fair value of collaterals and credit enhancements held at 30 June 2023, and 30 June 2024.

As at 30 June 2024	Maximum	Secured				
	Exposure to	Against real	Motor			Remaining
	Credit risk	estate	vehicles	Others	Total	Risk
	Birr	Birr	Birr	Birr	Birr	Birr
Cash and bank balances	107,872,318	-	-	107,872,318	107,872,318	-
Customer & staffs						
Group loan	8,581,728	-	-	1,716,346	1,716,346	6,865,382
Construction/consumption	5,035,884	-	-	1,007,177	1,007,177	4,028,707
Transportation	65,127,186	-	58,568,224	6,558,962	65,127,186	-
Individual loans	146,957,668	139,609,785	-	7,347,883	146,957,668	-
Staff loans & advances	2,289,197	-	-	2,289,197	2,289,197	-
	<b>335,863,981</b>	<b>139,609,785</b>	<b>58,568,224</b>	<b>126,791,883</b>	<b>217,097,574</b>	<b>10,894,089</b>

### 30 June 2023

30 June 2023	Maximum	Secured				
	Exposure to	Against real	Motor			Remaining
	Credit risk	estate	vehicles	Others	Total	Risk
	Birr	Birr	Birr	Birr	Birr	Birr
Cash and bank balances	31,574,727	-	-	31,574,727	31,574,727	-
Customer & staffs						
Group loan	10,568,726	-	-	3,170,618	3,170,618	7,398,108
Construction/consumption	8,449,496	-	-	2,112,374	2,112,374	6,337,122
Transportation	64,149,618	-	64,149,618	-	64,149,618	-
Individual loans	115,616,661	114,460,495	-	1,156,166	115,616,661	-
Staff loans & advances	2,358,970	-	-	2,358,970	2,358,970	-
	<b>232,718,198</b>	<b>114,460,495</b>	<b>64,149,618</b>	<b>40,372,855</b>	<b>218,982,968</b>	<b>13,735,230</b>



notes to the accounts form part of the financial statements and should be read in conjunction.

## V. Collateral Held And Their Financial Effect

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Company generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Company.

The Company may take collateral in the form of fixed assets, like house (including condos), vehicle including Bajaj can be used as collateral by properly registering with appropriate authorities. In addition to the Company's focus on creditworthiness, the Company aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

For impaired loans, the Company obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals is based on the last revaluations carried out. The valuation technique adopted for properties is in line with the Company's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

### 7. Liquidity risk

Liquidity Risk is a risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Compliance with the regulatory framework is monitored consistently. The Licensing & Supervision of Microfinance proclamation No.626/09 of the National Bank of Ethiopia provides that any Micro financing institution total loan extended to any single borrower shall not exceed 1% of the total capital. And loan extended to group of borrowers not more than 4% of the total capital.

### 8. Market risk

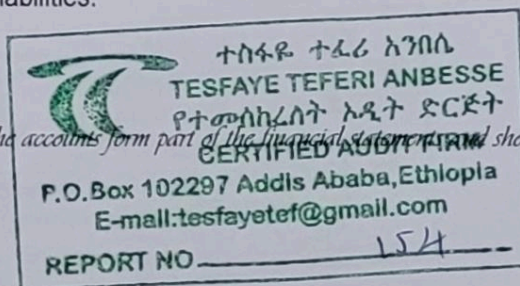
Market risk is the risk that changes in the market prices, such as interest rate, equity prices, and foreign exchange rates will affect the future cash flows of the Company's financial instruments. The objectives of market risk management are to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

### Interest rate risk

Interest rate risk is a risk resulting from changes in interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Company's interest margin or the value of its net worth.

The table below shows the amount of net worth the Company gain from interest and the amount of interest expense which are originated from liabilities.



The notes to the accounts form part of the financial statements and should be read in conjunction.

**30 June 2024**

	Fixed Birr	Non-interest bearing Birr	total Birr
Interest on saving accounts	936,180	-	936,180
Loan & advances to customers	60,938,816	-	60,938,816
	<u>61,874,996</u>	<u>-</u>	<u>61,874,996</u>
<b>Liabilities</b>			
Deposits from customers	8,187,573	-	8,187,573
Interest on Borrowings	17,958,129	-	17,958,129
	<u>26,145,702</u>	<u>-</u>	<u>26,145,702</u>

**30 June 2023**

	Fixed Birr	Non-interest bearing Birr	total Birr
Interest on saving accounts	5,036	-	5,036
Loan & advances to customers	42,856,865	-	42,856,865
	<u>42,861,901</u>	<u>-</u>	<u>42,861,901</u>
<b>Liabilities</b>			
Deposits from customers	5,256,642	-	5,256,642
Interest on Borrowings	12,025,903	-	12,025,903
	<u>17,282,545</u>	<u>-</u>	<u>17,282,545</u>

**(i) Foreign exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. Foreign exchange risks are controlled by maintaining balances in major currencies whose exchange rates against the reporting currency are expected to appreciate. The National Company controls exchange rates due to which the rates are not fluctuating significantly. The Company is not exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr.

**(ii) Capital management**

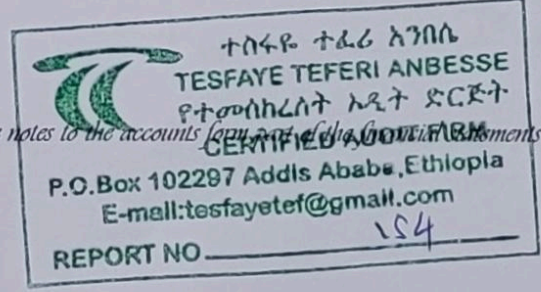
The Company's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders, to maintain a strong capital base to support the current and future development needs of the business and to comply with the capital requirements set by the National Bank of Ethiopia (NBE).

**(iii) Capital Adequacy Ratio**

According to the Licensing & Supervision of Microfinance Proclamation No 626/2009 of the National Bank of Ethiopia and as per Directive MFI/36/2023 issued by NBE, the Company has to maintain capital to risk weighted assets ratio of 12 % at all times.

**9. Acquisitions and Disposals**

There were no acquisitions and disposals during the reporting period.



The notes to the accounts form part of the financial statements and should be read in conjunction.

## 10. Interests in Subsidiaries

There was no interest in subsidiaries during the reporting period.

## 11. Investments accounted for at cost

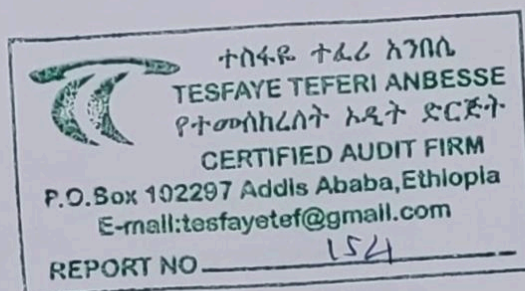
KMFI recognized equities, at initial recognition, at fair value which was the transaction price then. The Kendil makes utmost effort to use all information about the performance and operations of the Companies' that becomes available to it after the date of initial recognition. It is very difficult to obtain sufficient more recent information to enable it to measure equity at fair value subsequently. There is no stock market for such equity instruments in Ethiopia. Moreover, the management assessed that there is no significant change in the performance of the company's invested in compared with budgets, plans or milestones approved for those years; significant change in the market for those companies' equity or their products or potential products; significant change in the performance of comparable entities; internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy that could work against companies' performance. Hence management values the investments at cost. Dividend on those investments is, if any, credited to profit & loss when received.

## 12. Related party disclosure

If the Company has had related party transactions during the year covered by the financial statements, disclosure shall be made about the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- a) the amount of the transactions;
- b) the amount of outstanding balances, including commitments, and:
  - i. their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - ii. details of any guarantees given or received;
- c) provisions for doubtful debts related to the amount of outstanding balances; and
- d) The expense recognized during the period in respect of bad or doubtful debts due from related parties.

Disclosure shall also be made on key management personnel compensation in total and for each of the following categories: (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment



**13. REVENUE FROM OPERATION**

As a financing institution, the major source of income is interest charged on loan to borrowers. In addition it charges service charge for the service it renders and penalty when there are delays in payment.

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Interest – Individual loan	38,268,459	25,237,119
Interest – Vehicle loan	17,762,975	11,730,975
Interest – Consumption loan	1,667,150	2,644,787
Interest – Shareholder loan	1,990,535	1,804,075
Interest – Vehicle Purchase loan	421,817	908,024
Interest – Personal Guarantee loan	613,961	470,350
Interest – Group loan	<u>213,917</u>	<u>61,535</u>
	<u>60,938,814</u>	<u>42,856,865</u>

**14. SERVICE CHARGES ON LOANS**

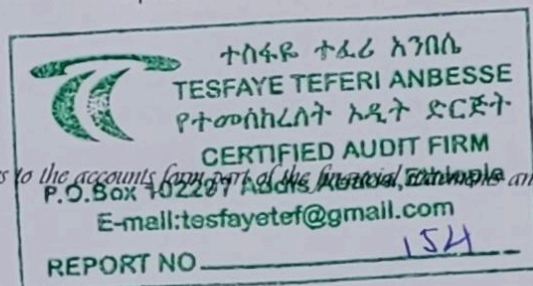
As indicated in the operational manual of the Company, service fee of 5% on fresh/new loans allowed and disbursed during the year are collected from all customers with the exception of personal guarantee/staff loan. Accordingly, service charges on loans balance of Birr 8,825,425 represent amount collected during the year on new loans that are disbursed to customers.

**15. PENALTY INCOME FROM LOANS TO CUSTOMERS**

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Interest – Individual loan	2,047,658	1,304,023
Interest – Vehicle loan	797,919	309,795
Interest – Consumption loan	165,612	263,625
Interest – Shareholder loan	89,498	27,265
Interest – Vehicle Purchase loan	126,286	399,218
Interest – Personal Guarantee loan	69,629	29,407
Interest – Group loan	<u>1,054</u>	<u>3,636</u>
	<u>3,297,656</u>	<u>2,336,969</u>

**16. OTHER INCOME**

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Income from insurance premium	1,900,615	1,361,208
Other non financial income	2,061,221	806,161
House Rent income	670,480	617,206
Gain from release of PPE	468,265	531,578
Income from investment	45,318	-
Pass book fee income	30,100	30,066
Interest from saving and Fixed deposit	<u>936,180</u>	<u>5,037</u>
	<u>6,112,179</u>	<u>3,351,256</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.



19. FINANCIAL COST

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Interest Expense on commercial	14,829,773	9,919,391
Interest Expense on Loan connectional	<u>3,128,356</u>	<u>2,106,512</u>
	<u>17,958,129</u>	<u>12,025,903</u>

20. CASH AND CASH EQUIVALENTS

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Cash on hand	-	-
Cash at banks	<u>107,872,318</u>	<u>31,547,727</u>
	<u>107,872,318</u>	<u>31,547,727</u>

No impairment loss allowance is recognized against the balances with other banks as management believes that the credit risk on these is minimal.

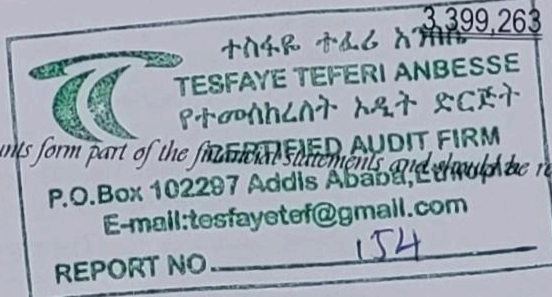
21. LOANS AND ADVANCES - CUSTOMERS

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Loan receivable – trade	146,957,668	115,616,661
Loan receivable – vehicle	65,127,186	64,149,617
Loan receivable – consumption	5,035,884	8,449,496
Loan receivable – center	<u>2,761,095</u>	<u>3,622,731</u>
	219,881,833	191,838,505
Less: Impairment allowance (see Note 1 below)	<u>(3,399,263)</u>	<u>(1,984,211)</u>
	<u>216,482,570</u>	<u>189,854,294</u>

1. MOVEMENT OF IMPAIRMENT ON LOAN

The movements in impairment allowance for Loan receivable is analyzed below:

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Balance at the beginning of year	1,984,211	2,504,771
Impairment loss recognized on receivables	1,883,317	11,018
Amount written off as uncollectable	-	-
Amount recovered during the year	-	-
Impairment loss reversed	<u>(468,265)</u>	<u>(531,578)</u>
Balance at end of the year	<u>3,399,263</u>	<u>1,984,211</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.

2. Loan and advances - customers for cash flow purpose

	<u>ETB</u>
Total balance as at 30/06/2024 (see note 21 above)	219,881,833
Total balance as at 30/06/2023 (see note 21 above)	<u>191,838,505</u>
Change in loan and advances	<u>(28,043,328)</u>

22. INTEREST RECEIVABLE

	<u>ETB</u>
Beginning balance	2,661,278
Current year interest receivable	<u>62,170,795</u>
	64,832,073
Interest amount collected	<u>(60,995,360)</u>
	<u>3,836,713</u>

23. DEBTORS

	<u>ETB</u>	<u>2023</u>
		<u>ETB</u>
Staff debtors	2,289,197	2,358,970
Prepayment	3,578,263	2,384,454
Refund Account	371	371
Advance	51	51
Court receivables	-	192,648
	<u>5,867,882</u>	<u>4,936,494</u>

Debtors for cash flow purpose

	<u>ETB</u>
Total balance as at 30/06/2024 (see above)	5,867,882
Total balance as at 30/06/2023 (see above)	<u>4,936,494</u>
Change in debtors	<u>(931,388)</u>



24. INVESTMENT

	<u>ETB</u>	<u>ETB</u>	<u>2023</u>
			<u>ETB</u>
Association of Ethiopian Microfinance Institution (AEMFI)-ET-Inclusive Finance Technology S.C			
Opening balance		1,968,000	<u>1,968,000</u>
Add: Dividend capitalized	45,318		-
Paid in cash	682		-
		46,000	-
		<u>2,014,000</u>	<u>1,968,000</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.

ET Inclusive Finance Technology Share Company (ETIFT) was established in 2014 to provide ICT and related technological services to microfinance institutions. The company was initiated by the Association of Ethiopian Microfinance Institutions (AEMFI) and five big microfinance institutions. Currently, more than thirty microfinance institutions in the country are its member shareholders. It has been helping microfinance institutions to get financial technologies such as mobile and agent banking technology and shared core banking system.

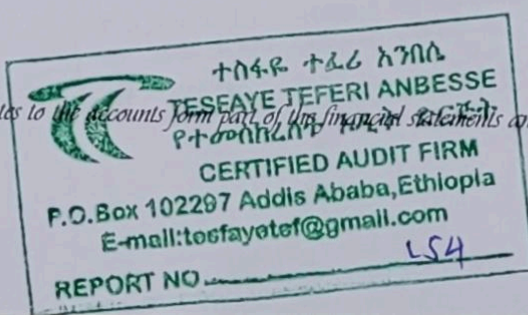
## 25. PROPERTY, PLANT AND EQUIPMENT

a) The detail of property plant and equipment is provided below.

	Building	Motor Vehicles	Office Equipment	Computer & Accessories	Office Furniture	Blg under construction	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB
<b>COST</b>							
As at 30 June 2022	13,592,004	2,510,097	417,423	844,684	943,519	17,850,000	36,157,727
Additions	5,078,500	-	14,000	60,800	237,321	-	5,390,621
As at 30 June 2023	18,670,504	2,510,097	431,423	905,484	1,180,840	17,850,000	41,548,348
Additions	-	-	82,000	312,000	474,428	12,437,264	13,305,692
As at 30 June 2024	18,670,504	2,510,097	513,423	1,217,484	1,655,268	30,287,264	54,854,040
<b>DEPRECIATION</b>							
As at 30 June 2022	1,345,608	622,805	114,263	605,022	378,790	-	3,066,488
Charge for the year	355,452	124,561	32,434	84,498	85,107	-	682,054
As at 30 June 2023	1,701,060	747,366	146,697	689,520	463,897	-	3,748,540
Additions	355,452	124,561	49,333	135,703	157,955	-	823,004
	2,056,512	871,927	196,030	825,223	621,852	-	4,571,544
<b>NET BOOK VALUE</b>							
As at 7 July 2023	16,969,444	1,762,731	284,726	215,964	716,943	17,850,000	37,799,808
As at 7 July 2024	16,613,992	1,638,170	317,393	392,261	1,033,416	30,287,264	50,282,496

b) The cost of building included the lease cost of three plots of land as described below. at the time of transition to IFRS, the Company opted to assess the fair value of buildings including the plots of land in which they are situated, and use that value as deemed cost.

- i. The company obtained 395.91 m<sup>2</sup> land in ArsiNegele town Q/Dama area from Oromia Regional State, Oromia Industry and Urban Development Bureau for a period of 99 years on Sene 10, 2007. The cost of the lease is Birr 288,218 to be paid over a period of 40 years with equal annual payments of Birr 7,205.
- ii. The Company obtained 411 m<sup>2</sup> land in Shashemene town Abbosto area from Oromia Regional State, Oromia Urban Land Development and Management Agency for a period of 70 years on Nehasse 16, 2009. The cost of the lease is Birr 220,160 to be paid over a period of 40 years with equal annual payments of Birr 5,504.
- iii. The Company obtained 500 m<sup>2</sup> land in Addis Ababa City Administration, Lami Kura Sub-City of Wereda 03. The construction work on the land is started during the current year.



c) The two leaseholds are obtained free of interest. Present value was calculated using the borrowing rate of the company (24%) over forty years, the lease liability payment period. The present value and the subsequent principal payments are not material. Hence, no lease liability is recognized. Annual payments, which are almost equivalent to the interest charge, are directly charged to profit and loss account upon payment.

**26. DEPOSIT FROM CUSTOMERS**

	<u>Compulsory</u> ETB	<u>Voluntary</u> ETB	<u>Total</u> ETB
Compulsory Savings	17,993,827	-	17,993,827
Time Deposit	-	50,196,699	50,196,699
Voluntary Individual	-	10,260,138	10,260,138
Non-client savings	-	40,625,119	40,625,119
Institutional saving	-	877,703	877,703
<b>As at June 30, 2024</b>	<b>17,993,827</b>	<b>101,959,659</b>	<b>119,953,486</b>
<b>As at June 30, 2023</b>	<b>17,759,853</b>	<b>64,353,047</b>	<b>82,112,900</b>

**Deposit from customers for cash flow purpose**

Total balance as at 30/06/2024 (see above)	ETB 119,953,486
Total balance as at 30/06/2023 (see above)	82,112,900
Change in deposit from customers	<u>37,840,586</u>

**27. ACCRUED INTEREST PAYABLE**

	<u>Interse on</u> <u>Customers saving</u> ETB	<u>Interest on</u> <u>bank loan</u> ETB	<u>Total</u> ETB
Beginning balance	524,982	1,956,515	2,481,497
Current year interest accrued payable	<u>8,187,573</u>	<u>17,958,129</u>	<u>26,145,702</u>
Interest amount settled during the year	8,712,555 <u>(8,169,878)</u>	19,914,644 <u>(14,789,905)</u>	28,627,199 <u>(22,959,783)</u>
	<u>542,677</u>	<u>5,124,739</u>	<u>5,667,416</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.

**28. CREDITORS AND ACCRUALS**

(a) The balance is composed of the following:

	Note	ETB	2023 ETB
Provident Fund payable	(b)	-	3,947,011
Accruals	(c)	3,904,624	2,733,308
Premium Collection		2,760,016	2,257,231
Commission payable		324,213	352,760
Income tax payable		442,357	250,487
Tax payable 5% from Acc Interest (tax)		395,394	239,931
Reserved balance		29,559	29,559
Audit fee payable		230,000	126,500
Pension contribution		289,727	178,186
Withholding tax payable		73,724	1,458
Staff Social contribution		1,085	1,085
Staff loan payable		-	(780)
Managing Fund payable		-	38,471
Unearned rent		242,409	181,340
Rent payable		204,000	102,000
Cash indemnity payable		55,000	52,600
		<u>8,952,108</u>	<u>6,544,136</u>

(b) Accruals included provision for severance pay, calculated as per the provisions of the Ethiopian Labor Law; and liability for unused leave balance.

(c) Creditors for cash flow purpose

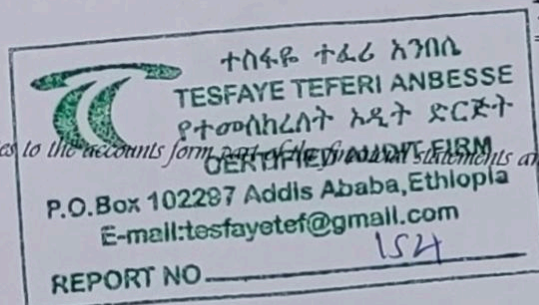
	ETB
Total balance as at 30/06/2024 (see above)	8,952,108
Total balance as at 30/06/2023 (see above)	6,544,136
Change in creditors	<u>2,407,972</u>



**29. BORROWINGS**

The Company has obtained a long-term loan from Oromia Bank S.C, Development Bank of Ethiopia - Rural Financial Intermediary Program (RUIFP), Awash Bank S.C and Commercial Bank of Ethiopia.

	Notes	ETB	2023 ETB
Loan from OIB	i	24,810,434	30,818,789
Loan from RUFIB	ii	35,718,382	40,327,263
Loan from AIB	iii	45,216,321	35,420,988
Commercial Bank of Ethiopia	iv	57,800,000	-
		163,545,137	106,567,040
Less: Current maturity of loan		<u>(52,639,776)</u>	<u>(26,175,141)</u>
		<u>110,905,361</u>	<u>80,391,899</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.



- 2) As per the loan agreement signed on Hidar 14, 2015, the Company obtained a term loan of Birr 30,000,000. The loan bears interest at the rate of 11.5% per annum and the loan is repaid starting from Ginbot 14, 2015 and fully repaid before or on Hidar 14, 2018. As per the Directive No. MCR/01/2020, the purpose of the loan should be lent to individuals, Cooperatives, Unions and other small and medium Agencies those who are engaged in agricultural sector and moveable assets of the beneficiaries will be held as collateral.

The loans are detailed as follows:

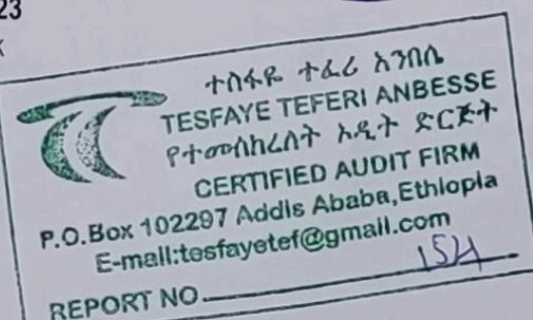
	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Balance at beginning of year	35,420,988	50,000,000
Additional loan during the year	30,000,000	-
Settlement made during the year	<u>(20,204,667)</u>	<u>(14,579,012)</u>
Balance at the end of the year	<u>45,216,321</u>	<u>35,420,988</u>

- iv. The Company has obtained term loan of Birr 57,800,000 from Commercial Bank of Ethiopia with interest rate of 11.5% per annum on Tir 21, 2016 for the purpose of relend to its customers. 50% of the loan to be deposited in the blocked account opened for collateral purpose with the Bank and it is released when the borrower make settlements in accordance with the loan agreement Article 3. The loan is repaid on semi-annual basis starting from Hamle 20, 2016 and finally settled before or on Tir 20, 2017. This was detailed as follows.

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Balance at beginning of year	-	-
Additional loan during the year	57,800,000	-
Settlement made during the year	-	-
Balance at the end of the year	<u>57,800,000</u>	<u>-</u>

v. Movement of the term loan for cash flow purpose

	<u>Amount received</u> <u>ETB</u>	<u>Amount paid</u> <u>ETB</u>
<b>June 30, 2024</b>		
Oromia Bank	-	6,008,355
DBE-RUFIP	17,336,860	21,945,741
Awash Bank	30,000,000	20,204,667
Commercial Bank of Ethiopia	<u>57,800,000</u>	<u>-</u>
	<b>105,136,860</b>	<b>48,158,763</b>
<b>June 30, 2023</b>		
Oromia Bank	1,160,660	5,268,236
DBE-RUFIP	21,312,505	6,327,893
Awash Bank	-	14,579,012
	<u>22,473,165</u>	<u>26,175,141</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.

### 30. PAID UP CAPITAL

Initially the Company has 244,832 shares in issue at Birr 50 par value each. The total paid up capital of the MFI was Birr 12,241,600. Following the General assembly decision made on Tikimt 07/2014 E.C, the paid up capital is raised to ETB 30,604,000 divided into 612,080 shares of ETB 50 par value each. Following the shareholders decision made on February 2023 the par value of the share raised to Birr 150. Accordingly, the Company has 612,080 shares in issue at Birr 150 par value each and the subscribed capital of the Company reached Birr 91,812,000. As at June 30, 2024, out of this subscribed capital, the paid up capital increased to Birr 62,432,160.

### 31. TREASURY STOCK

As per the Board's decision, the Company has bought back 9,456 of its own shares from shareholders who agreed to sale their shares. The purchase was made at Birr 94 per share. The total worth of the shares bought back is Birr 888,864.

### 32. RETAINED EARNINGS

	ETB	30-Jun-23 ETB
Retaining earnings opening balance	17,964,366	18,296,536
Donated capital written off	2,641,320	-
Comprehensive income for the year	17,429,770	15,757,715
Transfer to capital	(16,526,160)	(15,302,000)
Transfer to legal reserve	(871,489)	(787,885)
Retaining earnings per IFRS	<u>20,637,807</u>	<u>17,964,366</u>

### 33. IFRS REVALUATION RESERVE

Valuation of Plants, Property and Equipment were performed as at 1st July 2017 to determine the fair value, which was treated as a deemed cost at the date of the translation to IFRS. The balance included in First time IFRS adoption revaluation reserve, Birr 5,561,817 is the surplus of the revaluated amount over the carrying amount and was directly credited to this surplus account. It is released to the retained earnings by the excess of depreciation expense over the amount that would have been had the revaluation not been performed. The Accounting & Auditing Board of Ethiopia, through a letter has instructed such revaluation not to be treated as part of retained earnings. It is therefore separately reported.



**34. LEGAL RESERVE**

In accordance with the 14<sup>th</sup> regular general assembly meeting of the shareholders held on February 10, 2019, 5% of the net profit shall be transferred to legal reserve starting from the year ended 30 June 2018.

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Balance at the beginning of the year	3,101,042	2,313,156
Transferred during the year	<u>871,489</u>	<u>787,886</u>
	<u>3,972,531</u>	<u>3,101,042</u>

**35. RELATED PARTIES**

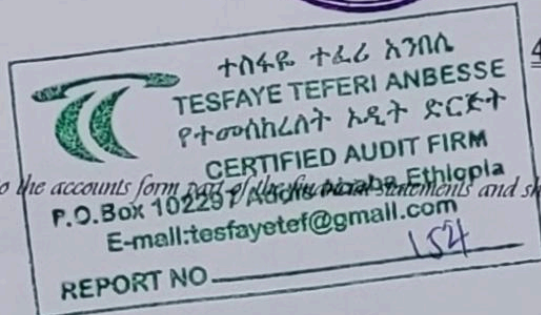
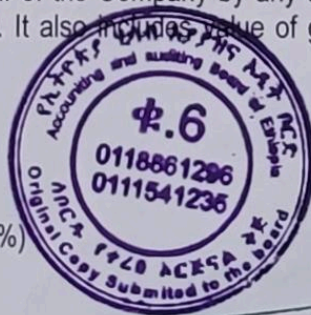
A related party is a person or entity that is related to the Company. A person or a close member of that person's family, family members who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse, is related to the Company if that person: has control or joint control of the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the Company. The substance of the relationship is important than the legal form. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Due to the nature of the company, shareholders of the company are also clients who take loan like other clients of the company. In the current year transactions with shareholders were as follows:

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Loan to shareholders - receivable	<u>7,728,044</u>	<u>6,945,996</u>
Savings of shareholders - payable	<u>4,250,424</u>	<u>3,722,342</u>

The following is the total amount of compensation paid or payable to Key Management Personnel of the Company who have authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The amount includes all employee benefits in the form of consideration paid, payable or provided by the Company or on behalf of the Company by any shareholder of the Company, in exchange for services rendered to the Company. It also includes value of goods and services provided in kind, if any:

	<u>ETB</u>	<u>2023</u> <u>ETB</u>
Short term benefit (Salary)	2,698,752	1,764,048
Post-employment benefit (Provident Fund 10%)	269,143	120,154
Incentive payment (Bonus)	509,740	333,760
Board fee	<u>545,600</u>	<u>401,000</u>
	<u>4,023,235</u>	<u>2,618,962</u>



The notes to the accounts form part of the financial statements and should be read in conjunction.

**36. ANNUAL LOAN RECOVERY PERFORMANCE**

Based on the formula provided by RUFIP-Development Bank of Ethiopia, the annual loan recovery performance rate is 97.28%.

Annual Loan Recovery Rate	<u>Annual Financial Loan Collected + Unscheduled Loan Collected</u>	
	Amount due of collection during the year + outstanding arrears at the beginning of the year	
	<u>Value</u>	
97.81%=	(147,813,923 – 3,617,365)	
	(144,196,558 + 3,226,195)	

**37. CONTINGENCIES**

There were no contingent assets or liabilities at June 30, 2024.

**38. CAPITAL COMMITMENTS**

The Company had no a capital commitment in respect of the construction work going on and it is constructed by their own labor.

**39. EVENTS AFTER THE REPORTING DATE**

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

**40. AUTHORIZATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 30 June 2024 (including comparatives) are approved by the board of directors.

