

ELSABI Micro Finance Institution
Share Company

Audit Report and Financial Statements
For the Year Ended June 30, 2023



Chartered Certified Accountant and Authorized Auditor

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ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
REPORTS AND ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 7, 2023

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ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
CORPORATE INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2023

Company registration number

MT/AA/3/0052989/2014

NBE License number

MFI/052/2022

Directors (As of 30 June 2023)

Ato Tokkicha Alemayehu Ketem	Board of Director (Chair Person)	(Appointed May 2022)
Ato Naol Bi ratuu Sukessa	Board of Director (Deputy Chairman)	(Appointed May 2022)
Ato Bekele Abebe Chere	Board of Director (Member)	(Appointed May 2022)
Dr Chaltu Abera Yemaneh	Board of Director (Member)	(Appointed May 2022)
El Auto Engineeruig Traing plc	Board of Director (Member)	(Appointed May 2022)
El net Technology plc	Board of Director (Member)	(Appointed May 2022)
Ato Getachew Geleta Wodajo	Board of Director (Member)	(Appointed May 2022)
Ato Hundaol Fekadu Abdi	Board of Director (Member)	(Appointed May 2022)
Ato Adisu Bejura Aboye	Board of Director (Member)	(Appointed May 2022)

Executive management (As of 30 June 2023)

Ato Abiyot Urga	Chief Executive Officer	(Appointed May 2022)
Ato Yemaneberhan Teklay	Finance and Admin Manger	(Appointed November 2022)
Ato Fikre Hunduma	Opertations Manger	(Appointed November 2022)

Independent auditor

Optimum Audit Service LLP
Chartered Certified Accountants (UK)
Authorized Auditors (Eth)
P.O Box 110426
E-mail- info@optimumet.com
Addis Ababa

Corporate office

Elsabi Microfinance S.C□
Tel. +251(0)116732829
Email: info@elsabi.net
P O Box 46019
Addis Ababa, Ethiopia

Principal bankers

Commercial Bank of Ethiopia
Awash bank
Dashen Bank
Bank of Abyssinia
Dabub Global Bank
Anbesa Bank
Cooperative Bank of Oromia



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 30 JUNE 2023

The directors submit their report together with the financial statements for the period ended 30 June 2023, to the stake holder of Elsabi. This report discloses the financial performance and state of affairs of Elsabi Microfinance.

Incorporation and address

Elsabi was incorporated in Ethiopian Microfinancing industry in the year 2022 by 10 share holders in order to the leading financial service provider to unbanked segment of the society using state of the art technologies in Africa.

Principal activities

The activates of Elsabi Microfinance is to provide effective and efficient financial and related service to the unbanked micro and small enterprises, famers with focus on women and youth in urban and rural settings using state of the art technology and qualified and motivated staff in socially responsible ways.

Results

Elsabi's results for the year ended 30 June 2023 are set out on page 6-. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30 June 2023 Birr'	30 June 2022 Birr'
Net interest income	3,992,641	-
Profit / (loss) before tax	2,205,200	(317,495)
Tax (charge) / credit	-	-
Profit / (loss) for the year	2,205,200	(317,495)
Other comprehensive profit / (loss) net of taxes	-	-
Total comprehensive profit / (loss) for the year	2,205,200	(317,495)

Directors

The directors who held office during the year and to the date of this report are set out on page 1.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2023
STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with Microfinance Business Proclamation No. 1164/2019, the National Bank of Ethiopia (NBE) may direct Microfinance to prepare financial statements in accordance with international financial Reporting standards, whether their designation changes or they are replaced, from time to time.

The Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in Ethiopia and in the manner required by the Commercial Code of Ethiopia of 2013, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Microfinance is required to keep such records as are necessary to:

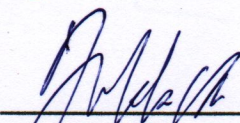
- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the National Bank to determine whether Microfinance had complied with the provisions of the Microfinance Business Proclamation and regulations and directives issued for the implementation the aforementioned Proclamation.

The Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Microfinance Business Proclamation, Commercial code of 2021 and the relevant Directives issued by the National Bank of Ethiopia.


The Management has an opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The Management further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

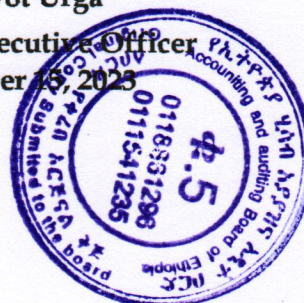
Nothing has come to the attention of the Management to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of :


Ato Tokkicha Alemayehu
Board Chairperson
September 15, 2023




Ato Abiyot Urga
Chief Executive Officer
September 15, 2023



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ELSABI MICRO FINANCE INSTITUTION SHARE COMPANY**

Opinion

We have audited the accompanying financial statements of ELSABI Micro Finance Institution Share Company which comprise the statement of financial position as at June 30, 2023 statements of financial performance and other comprehensive income, statement of change in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the ELSABI Micro Finance Institution Share Company as at June 30, 2023 and of its statements of financial performance and other comprehensive income, statement of change in equity and statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Commercial Code of Ethiopia.

We have no comments to make on the report of the Board of Directors relating to the financial matters and pursuant to Article 349 (2) of the Commercial Code of Ethiopia of 2021, and recommend the above-mentioned financial statements be approved.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics standard Board for Accountants' code of ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management's and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements in accordance with the accounting framework applied by the company and for such internal controls as management determines are 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 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. Management is responsible for overseeing the company's financial reporting process.

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



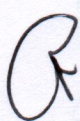
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit we also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the data of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

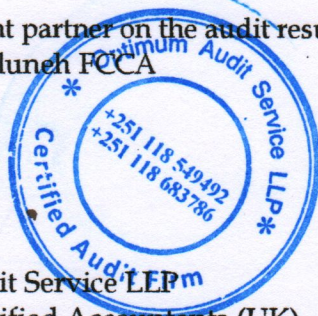
We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

The Engagement partner on the audit resulting in this independent auditor's report is
Mekonnen Muluneh FCCA



Optimum Audit Service LLP
Chartered Certified Accountants (UK)
Authorized Auditors (Eth)
Addis Ababa
September 15, 2023



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30 June 2023 Birr	30 June 2022 Birr
Interest income	5	4,148,788	-
Interest expense	6	(156,147)	-
Net interest income		3,992,641	-
Fee and commission income (net)	7	1,745,260	-
Fee and commission expense	7	-	-
Net fees and commission income		1,745,260	-
Other operating income	8	710,512	42,800
Total operating income		6,448,413	42,800
Loan impairment charge		-	-
Impairment losses on other assets		-	-
Net operating income		6,448,413	42,800
Personnel expenses	9	2,906,237	-
Depreciation and impairment of property, plant and equipment	10.1	210,130	7,160
Other operating expenses	10	1,126,845	353,135
Net operating Expense		4,243,213	360,295
Profit before tax		2,205,200	(317,495)
Income tax expense	19	-	-
Profit after tax		2,205,200	(317,495)
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations			
Deferred tax (liability)/ asset on remeasurement gain or loss		-	-
Remeasurement gain / (loss) on AFS assets			
Total comprehensive income for the period		2,205,200	(317,495)

The notes on pages 10 to 38 are an integral part of these financial statements.

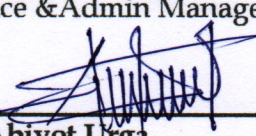


ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
AS AT 30 JUNE 2023
STATEMENT OF FINANCIAL POSITION

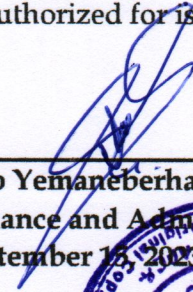
	Notes	30 June 2023 Birr	30 June 2022 Birr
ASSETS			
Cash and balances with banks	11	5,183,737	26,042,800
Loans and receivables	12	31,057,505	-
Other assets	13	550,313	237,188
Property, plant and equipment	14	1,913,402	24,840
Total assets		38,704,957	26,304,827
LIABILITIES			
Deposits from customers	15	8,976,002	-
Other liabilities	16	841,251	1,622,322
Employee benefit (Severance)		-	-
Commercial loan		-	-
Other long term liability		-	-
Total liabilities		9,817,252	1,622,322
EQUITY			
Paid-up capital	17	27,000,000	25,000,000
Retained earnings	18	1,777,445	(317,495)
Legal reserve		110,260	-
Revaluation surplus		-	-
Total equity		28,887,705	24,682,505
Total equity and liabilities		38,704,957	26,304,827

The notes on pages 10 to 38 are an integral part of these financial statements.

The financial statements on page 6 to 38 were approved and authorized for issue by CEO and Finance & Admin Manager were signed on its behalf by:


Ato Abiyot Urga
Chief Executive Officer
September 15, 2023




Ato Yemaneberhan Teklay
Finance and Admin Manager
September 15, 2023



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF CHANGE IN EQUITY

	Notes	Paid up capital Birr	Retained earnings Birr'	Legal reserve Birr	Total Birr
As at 1 July 2021		-	-	-	-
Initial paid up capital		25,000,000	-	-	25,000,000
Profit for the period		-	(317,495)	-	(317,495)
Other comprehensive income:		-	-	-	-
Transfer to legal reserve		-	-	-	-
Transfer to special reserve		-	-	-	-
Total comprehensive income for the period		25,000,000	(317,495)	-	24,682,505
As at 30 June 2022		25,000,000	(317,495)	-	24,682,505
As at 1 July 2022		25,000,000	(317,495)	-	24,682,505
Additional capital		2,000,000	-	-	2,000,000
Profit for the period	18	-	2,205,200	-	2,205,200
Other comprehensive income:		-	-	-	-
Transfer to legal reserve		-	(110,260)	110,260	-
Transfer to special reserve		-	-	-	-
Total comprehensive income for the period		2,000,000	2,094,940	110,260	4,205,200
As at 30 June 2023		27,000,000	1,777,445	110,260	28,887,705

The notes on pages 10 to 38 are an integral part of these financial statements.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
STATEMENT OF CASH FLOW

	Notes	30 June 2023 Birr	30 June 2022 Birr
Cash flows from operating activities			
Cash generated from operations	19	(20,760,370)	1,042,800
Withholding tax paid		-	-
Income tax paid		-	-
Net cash (outflow)/inflow from operating activities		(20,760,370)	1,042,800
Cash flows from investing activities			
Purchase of investment property		-	-
Purchase of Equity Investments		-	-
Purchase of intangible assets		-	-
Purchase of property, plant and equipment	14	(2,098,693)	-
Proceeds from sale of property, plant and equipment		-	-
Proceed on disposal of asset held for sale		-	-
Net cash (outflow)/inflow from investing activities		(2,098,693)	-
Cash flows from financing activities			
Paid up Capital and donated	17	2,000,000	-
Donated equity received on kind		-	-
Net cash (outflow)/inflow from financing activities		2,000,000	-
Net increase/(decrease) in cash and cash equivalents		(20,859,063)	1,042,800
Cash and cash equivalents at the beginning of the year	11	26,042,800	25,000,000
Cash and cash equivalents at the end of the year	11	5,183,737	26,042,800

The notes on pages 10 to 38 are an integral part of these financial statements.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE FINANCIAL STATEMENTS

1 General information

Elsabi Microfinance was established in the year 2022 G.C as a "Share Company" under the Commercial Code of Ethiopia and licensed by the National Bank of Ethiopia as a "Microfinance Institution" under Proclamation No. 1164/2019, issued for licensing and supervision of micro-finance institutions. Elsabi's registration office is at :

Elsabi Microfinance S.C

Tel. +251(0)116732829

Email: info@elsabi.net

P O Box 46019

Addis Ababa, Ethiopia

The objective of Elsabi is to contribute towards the economic advancement and transformation of country by providing appropriate financial service to small business entities, low income individuals and families in general public.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the period ended 30 June 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The financial statements for the period ended 30 June 2023 are the first Elsabi MFI has prepared in accordance with IFRS.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept and faire value. All values are rounded to the nearest one birr, except when otherwise indicated. The financial statements are presented in rounded to the nearest Ethiopian one Birr (Birr' 1).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Elsabi's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that Elsabi financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE FINANCIAL STATEMENTS

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that Elsabi MFI would remain in existence after 12 months.

2.2.2 Changes in accounting policies and disclosures

New Standards, amendments, interpretations issued but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 30 June 2023, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the organization, except the following set out below:

IFRS 9 - Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which Elsabi operates ('the functional currency'). The functional currency and presentation currency of Elsabi is the Ethiopian Birr (Birr).

b) Transactions and balances

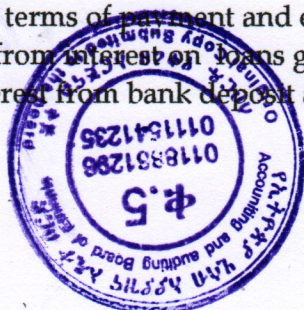
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than Elsabi'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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

2.4 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Elsabi MFI 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.

Elsabi, earns income from interest on loans given for short term loan, Individual and other. Other incomes includes interest from bank deposit and gain from change of foreign currency.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE FINANCIAL STATEMENTS

Fair value through profit and loss(FVTOCI): Elsabi measure its financial asset with FVTOCI when the asset is held whose objective is held both collecting cash flow and selling financial asset

Fair value through profit and loss(FVTPL): All other financial asset that don't meet the classification of amortized cost or FVTOCI shall be classified as FVTPL.

Business model Assessment

Elsabi makes an assessment of the objective of a business model in which an asset is held at a portfolio. This reflects the operation of the policy and earning contractual interest revenue maintaining a particular interest rate and the risk that affect the performance of the business and the strategy of how the risks are managed. For the purposes contractual cash flow 'principal' is defined as the fair value of the financial asset on initial recognition and 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for basic lending risks and costs.

Financial assets at amortized costs

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in income statement. The losses arising from impairment are recognized in income statement in loan impairment charge.

Elsabi' loans and receivables comprise of loans and advances to customers.

Derecognition of financial assets

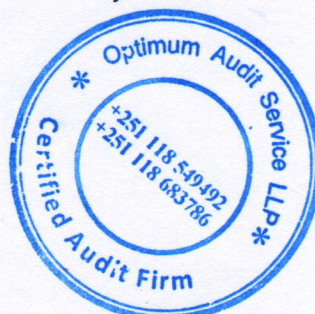
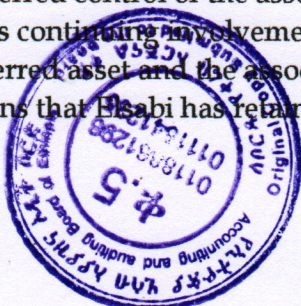
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from Elsabi's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- Elsabi has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) Elsabi has transferred substantially all the risks and rewards of the asset, or

(b) Elsabi has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Elsabi has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Elsabi continues to recognize the transferred asset to the extent of Elsabi's continuing involvement. In that case, Elsabi also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Elsabi has retained.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE FINANCIAL STATEMENTS

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Elsabi could be required to repay.

Impairment of financial assets

Elsabi assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Collateral valuation

Elsabi seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as House, Movable Property, Vehicle, Group guarantees and 10% of Mandatory Saving for loan disbursed. The fair value of collateral is generally assessed, at a minimum, at inception and based on Elsabi reporting schedule. Assets collateral pledged to loans are registered by respective city administrative municipality

Collateral recover

In settlement of overdue loan Elsabi has a policy to recover its loan. Before collecting from collateralized asset Elsabi tried to collect its loan with the help of social pressure or give writing warning to the property owner. If this offer does not work to recover the loan, Elsabi can take such measures, for a group loan mandatory saving amount shall not be withdrawn until the entire loan of the group shall be settled. It should be adjusted against pending loan receivable balance. For the asset pledge as of guarantee shall be posted on New paper to invite participants for foreclosure sell on specific date. Up on the appointed date the presence of local administrative personal, the owner and Elsabi's representative the participants could offer an action price that planning to buy the asset. Then the selling amount should be determine for covering all expenses of the procedure, pending settlement of the loan amount and the remaining shall be refunded to the owner.

2.5.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where Elsabi has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Elsabi or the counterparty.



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023
NOTES TO THE FINANCIAL STATEMENTS

2.6 Cash and cash equivalents

Cash and cash equivalent comprises cash on hand and on demand deposit with short term highly liquid financial asset with its original maturity of three month or less from the date of accusation that are subject to insignificant risk of change in value and are used by the entity in the management of its short term obligation. cash and cash equivalent comprises cash at bank, petty cash and revolving cash. Cash and cash at bank are carried at nominal value, which corresponds to their fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and cash at bank.

2.7 Property, plant and Equipment

Property, plant, and equipment are tangible items that are held for use in the supply of services, or administrative purpose are expected to be used during more than one period and shall initially be recognized at cost if it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be reliably measured. Costs incurred in respect of day to day servicing and spare parts are recognized in profit and loss .

Subsequent to initial recognition, items of property, plant, and equipment shall be measured at revaluation model. Revaluation should be reviewed whenever there is a material change in carrying amount and shall be conducted every three years. Any gain or loss arises as a result of revaluation shall be treated in the following way:

1. If the carrying amount (CA) increases: treats as other comprehensive income under the heading "Revaluation surplus".
2. If the Carrying amount decreases: treat through Profit or Loss for the year the amount in excess of previously recognized revaluation surplus.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset category	Years	Residual values
Buildings	20	1% of cost
furniture	10	1% of cost
Equipment	4	1% of cost
Computers and accessories	4	1% of cost

Elsabi commences depreciation when the asset is available for use and continue until the asset derecognized, and the asset residual value or useful life is reviewed at the end of reporting period and also reviewed impairment when ever events or changes in circumstances indicate the carrying amount may not be recoverable.

Capital work-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

PPE shall be derecognized or removed from the statement of financial position on disposal or if no future economic benefits arise. Gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognized in Profit and Loss



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2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.9 Other assets

Other assets are generally defined as claims held against other entities for the future receipt of money. Other assets in the Elsabi's financial statements include the following:

(a) Prepayment

Prepayments: are payments made in advance for service to be benefited in the future. The amount is initially recognized as an asset and subsequently amortized over the service period to an expense account.

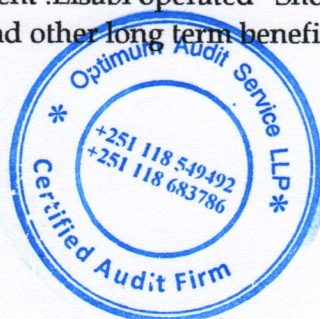
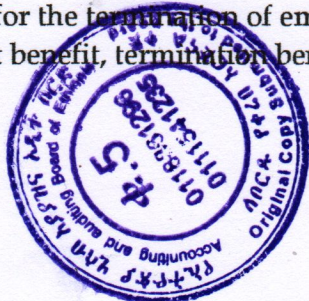
(b) Other receivables

Other receivables: refers to money due from third parties both within the institution and outside the institution are and recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received.

Elsabi's other receivables includes advance to staff (for travel, work, purchase, staff advance which is settled with one year and other.

2.10 Employee benefits

Employee benefits are all forms of consideration given by Elsabi in exchange for service rendered by all employees or for the termination of employment. Elsabi operated Short term employee benefit, post-employment benefit, termination benefit, and other long term benefits.



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(a) Short term employee benefit

Elsabi operates short term benefit that is expected to be settled wholly within 12 months after the end of the period in which the employee renders the related service. Elsabi has a short term benefit such as salary, wage and other that shall be paid on service delivery.

(b) Post employment

Defined contribution plan

Elsabi operates defined contribution plans;

Pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and Elsabi respectively based on the employees' salary. Employer's contributions to this scheme are charged to profit or loss and other comprehensive income in the period in which they relate.

Defined benefit plan

Elsabi recognize an accrued liability for termination benefits called severance payment in accordance with Ethiopian labor Law that will be paid when an employee resigns. Elsabi is legally obliged to pay severance for those employees who served the entity for more than five years.

(c) Termination benefits

Termination Benefit: it is an employee benefit provided in exchange for the termination of an employee's employment as a result of an entity's decision to terminate an employee before the normal retirement date. Among all employees benefits mentioned above, Elsabi should recognize an accrued liability for termination benefits called severance payment and unpaid leave balance. Further, it is legally obliged to pay unused leave balance for the maximum of two years (unused leaves balance above two years shall be expired).

2.11 Provisions

Provision is a liability of uncertain timing or amount of a future expenditure that is different from the provision for doubtful debt.

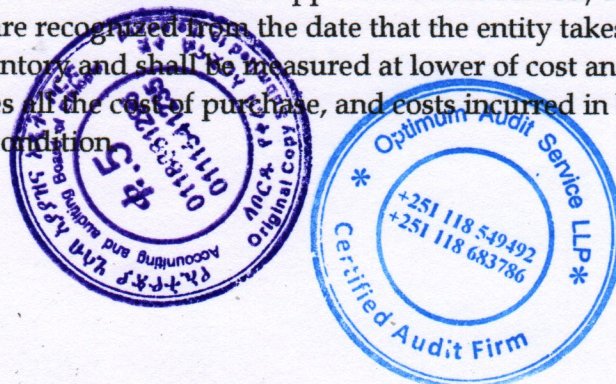
Contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. It must be disclosed in the notes if they are probable.

Legal obligation is an obligation that could be contractual, arise due to legislation, and a result from other operating of law. A constructive obligation is an obligation that results from an entity's action

Elsabi should disclose provisions, contingent liabilities and contingent assets in the notes to enable users to understand their nature, timing and amount and the entity's hold that will be settled within 12 months after the reporting period.

2.12 Inventory

Elsabis' inventory deals with materials or supplies to be consumed/used in the process of rendering services. Inventories are recognized from the date that the entity takes the risk and reward of ownership of the inventory and shall be measured at lower of cost and net realizable value. The cost of inventory comprises all the cost of purchase, and costs incurred in bringing the inventories to the present location and condition.



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The cost of inventory should be assigned based on first-in, first-out (FIFO) method of measurement. The major inventories of Elsabi are printing material, Office supplies, T-shirts and others. Expense is recognized upon the utilization of the inventory. When an adjustment is required to the quantity of the inventory or obsolescence in use, there should be a plus or minus recognition to the period expense account.

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Estimates and judgements are continually evaluated and are based on other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of Elsabi's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying Elsabi's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

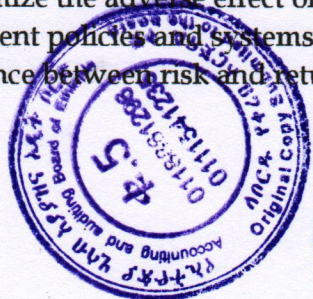
Estimates and assumptions

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. Elsabi based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of Elsabi . Such changes are reflected in the assumptions when they occur.

4 Financial risk management

4.1 Introduction

Risk management is a continual process of systematically identifying, measuring, monitoring and managing risks in the organization that is one of the basic and crucial processes for Elsabi to minimize threats to the financial possibility. It is a day to day activity that the entity exposed to spectrum of risks; such as credit risk(the most), Liquidity risk, interest rate risk and operational risk . The core functions of Elsabi risk management are to identify all key risks that are exposed, measure these risks, manage the risk positions and determine capital allocations to each operating function to minimize the adverse effect of financial performance of Elsabi. Elsabi regularly reviews its risk management policies and systems to reflect changes in markets and products to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance



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4.1.1 Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of Elsabi's risk management framework.

Elsabi's risk management policies are established to identify and analyze the risks faced by Elsabi, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered. Elsabi, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

Elsabi's Board of Directors is responsible for monitoring compliance with Elsabi's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by Elsabi. Elsabi's Board of Directors is assisted in these functions by the Risk and Compliance unit.

The Risk and Compliance Unit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk sub Committee.

4.1.2 Risk measurement and reporting systems

Elsabi's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Elsabi also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by Elsabi. These limits reflect the business strategy and market environment of Elsabi as well as the level of risk that Elsabi is willing to accept, with additional emphasis on selected regions. In addition, Elsabi's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk mitigation

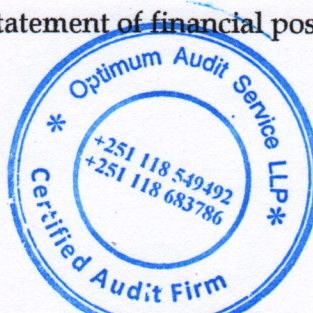
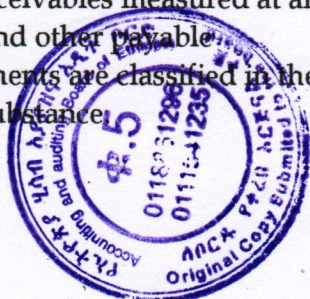
Risk controls and mitigants, identified and approved for Elsabi, are documented for existing and new processes and systems.

The adequacy of these mitigation is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Financial instruments by category

Elsabi's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables measured at amortized cost and the financial liabilities are classified at amortized cost and other payable.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.



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Elsabi classification of its financial assets is summarized in the table below:

30 June 2023	Notes	FVTPL Birr	FVOCI Birr	Amortized cost Birr	Total Birr
Cash and balances with banks	11	-	-	5,183,737	5,183,737
Loans receivables	12	-	-	31,057,505	31,057,505
Other assets	13	-	-	550,313	550,313
Total financial assets		-	-	36,791,555	36,791,555

30 June 2022	Notes	FVTPL Birr	FVOCI Birr	Amortized cost Birr	Total Birr
Cash and balances with banks	11	-	-	26,042,800	26,042,800
Loans and receivable	12	-	-	-	-
Other assets	13	-	-	237,188	237,188
Total financial assets		-	-	26,279,988	26,279,988

4.3 Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, Elsabi considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises loans and receivables which are developed to reflect the needs of our customers. Elsabi's policy is to lend principally on the basis of our customer's repayment capacity through quantitative and qualitative evaluation. However we ensure that our loans are backed by collateral to reflect the risk of the obligors and the nature of the facility. In the estimation of credit risk, Elsabi Microfinance estimate the following parameters:

(a) Probability of Default

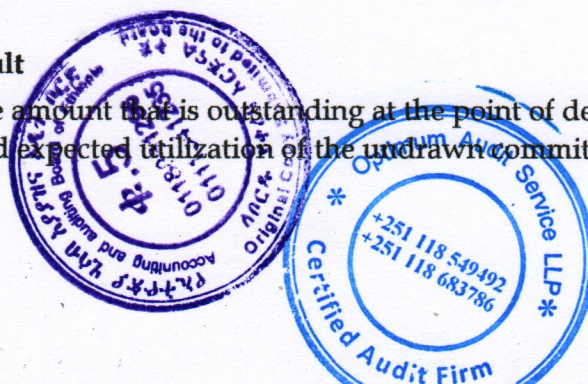
This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

(b) Loss Given Default (LGD)

Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 - recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.

(c) Exposure at Default

This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the undrawn commitment at default.



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4.3.1 Impairment assessment

Elsabi assesses its impairment for the purpose of IFRS reporting using a 'three-stage' model for impairment based on changes in credit quality since initial recognition as follows :

1. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Elsabi
2. A financial instrument that the credit risk significantly increased transferred to stage 2 but not deemed to credit impaired
- 3.A financial instrument is credit-impaired moved to 'Stage 3'.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Elsabi considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Elsabi's historical experience and expected credit risk assessment and including forward-looking information. Elsabi considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative criteria have been met. The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, Elsabi is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination

Elsabi Classify transition from Stage 1 to Stage 2, and stage 3 as follows:

Stage	day past due
stage 1	0-30
Stage 2	31-90
Stage 3	90+

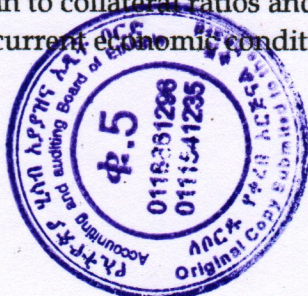
(a) Individual assessment

Elsabi reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. Elsabi then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount. Since the loan data is big, Elsabi shall perform individual assessment of portfolio account and catagorize collectively for futrher analysis.

(b) Collective assessment

Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms.

Elsabi generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems).



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The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Elsabi's overall policy.

4.3.2 Credit related commitments risks

Since Elsabi could not issue any promissory document to third party don't have any credit related commitments risk

4.3.3 Maximum exposure to credit risk before collateral held or credit enhancements

(a) Types of credit exposure

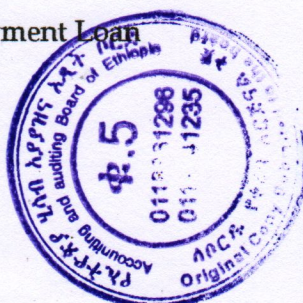
Elsabi's maximum exposure to credit risk at 30 June 2023, 30 June 2022 and 30 June 2021 respectively, is represented by the net carrying amounts in the statement of financial position.

	30 June 2023 Birr	30 June 2022 Birr
Cash and balances with banks	5,183,737	26,042,800
Loans and receivables	31,057,505	-
Other assets	550,313	237,188
Total maximum exposure	36,791,555	26,279,988

(b) Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by Elsabi during the year by taking possession of collaterals held as security against loans and receivables at the year end are shown below.

	30 June 2023 Birr	30 June 2022 Birr
Properties(Individual loan Covered 100%)	37,322,060	-
Mandatory saving(group loan covered 10% of the loan	-	-
	37,322,060	-
Collateral amount of Asset		
Individual Loan	16,922,584	-
Consumption Loan	585,186	-
Short Term Loan	16,855,416	-
Company Employment Loan	2,958,875	-
	37,322,060	-



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(c) Loans and receivables at amortized cost

(i) Gross loans and receivables to customers per sector is analyzed as follows:

	30 June 2023	30 June 2022
	Birr	Birr
Individual Loan	11,222,142	-
Consumption Loan	427,905	-
Short Term Loan	16,567,343	-
Company Employment Loan	2,840,115	-
	31,057,505	-

(ii) Gross loans and receivables to customers per National Bank of Ethiopia's impairment guidelines is analyzed as follows:

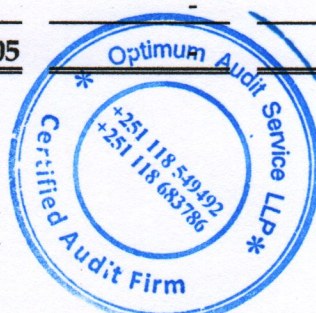
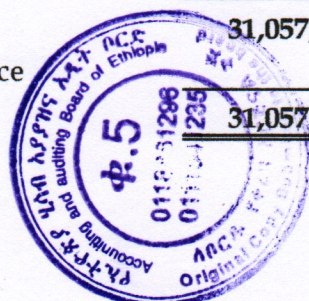
	30 June 2023	30 June 2022
	Birr	Birr
Performing	31,057,505	-
Substandard (91-	-	-
Doubtful(181-365 Past due	-	-
Loss(More than 365 past	-	-
Interest receivable	-	-
Less impairment	-	-
	31,057,505	-

The above table represents a worse case scenario of credit risk exposure of Elsabi as at the reporting dates without taking in to account any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position.

4.3.4 Credit quality analysis

(a) Credit quality of loans and receivables

	Neither past due nor impaired Stage -1	Past due but not impaired Stage-2	Individually impaired stage-3	Total
	Birr	Birr	Birr	Birr
30 June 2023				
Individual Loan	11,222,142	-	-	11,222,142
Consumption Loan	427,905	-	-	427,905
Short Term Loan	16,567,343	-	-	16,567,343
Company Employment Loan	2,840,115	-	-	2,840,115
Gross	31,057,505	-	-	31,057,505
Less: Impairment allowance	-	-	-	-
Net	31,057,505	-	-	31,057,505



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(b) Allowance for impairment

	30 June 2023	30 June 2022
	Birr	Birr
Collective impairment	-	-
Total allowance for impairment	-	-

4.3.5 Credit concentrations

Elsabi monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2023 and 30 June 2022. Elsabi concentrates all its financial assets in Ethiopia.

30 June 2023	Public Enterprise Birr	Cooperative Birr	Private Birr
Cash and balances with banks	5,183,737	-	-
Loans and receivables	-	-	31,057,505
Investment securities:			
- Available for sale	-	-	-
- Loans and receivables	-	-	-
Other assets	-	-	550,313
	<u>5,183,737</u>	<u>-</u>	<u>31,607,818</u>

30 June 2022	Public Enterprise Birr	Cooperative Birr	Private Birr
Cash and balances with banks	26,042,800	-	-
Loans receivables	-	-	-
Investment securities:			
- Available for sale	-	-	-
- Loans and receivables	-	-	-
Other assets	-	-	237,188
	<u>26,042,800</u>	<u>-</u>	<u>237,188</u>



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4.3.6 Nature of security in respect of loans and receivables

30 June 2023	Secured against Fixed asset Birr	Group Cash guarantees Birr	Equitable Mortgage Birr	Compulsory Saving Birr	Others Birr
Individual Loan	16,922,584	-	-	1,342,000	-
Short Term Loan	16,855,416	-	-	1,736,366	-
Company Employment Loan	2,958,875	-	-	278,894	-
	<u>36,736,874</u>	<u>-</u>	<u>-</u>	<u>3,357,260</u>	<u>585,186</u>

The institution have 2 types of compulsory saving those are upfront (5% of gross loan) and ongoing (5% of monthly repayment, principal plus interest)

4.3.7 Collateral held and their financial effect

Elsabi may take collateral in the form of House ,Vehicle, cash (saving) &group cash guarantee. Elsabi does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to Elsabi's focus on creditworthiness, it aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

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

4.4 Liquidity risk

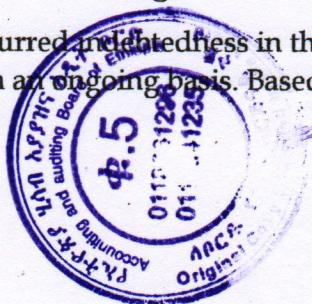
Liquidity risk is the risk that Elsabi cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that Elsabi might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to Elsabi on acceptable terms.

Liquidity risk management is solely determined by Asset and Liability Committee, which bears the overall responsibility for liquidity risk. The main objective of Elsabi liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs, monitoring statement of financial position liquidity ratio against internal and regulatory requirements and management of future cash flow.

Elsabi has incurred indebtedness in the form of borrowings. Elsabi evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, Elsabi plan strategies to manage its liquidity risk.



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Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to Elsabi's reputation.

4.4.2 Maturity analysis of financial liabilities

The table below analyses Elsabi's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

30 June 2023	0 - 30 days Birr	31 - 90 days Birr	91 - 180 days Birr	181 - 365 days Birr	Over 1 year Birr
Deposits from customer	8,976,002	-	-	-	-
Commercial Borrowings	-	-	-	-	-
Severance pay	-	-	-	-	-
Total financial liabilities	8,976,002	-	-	-	-

4.5 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions.

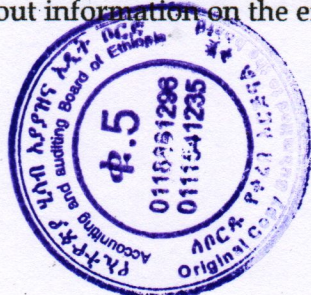
Elsabi does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

4.5.1 Management of market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

4.5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk. The table below sets out information on the exposures to fixed and variable interest instruments.



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30 June 2023	Fixed Birr	Floating Birr	Non-interest bearing Birr	Total Birr
Assets				
Cash and balances with banks	32,855	-	5,150,882	5,183,737
Loans receivables	31,057,505	-	-	31,057,505
Total	31,090,360	-	5,150,882	36,241,242
Liabilities				
Deposits from customers	8,976,002	-	-	8,976,002
Other liabilities	-	-	841,251	772,251
Borrowing	-	-	-	-
Total	8,976,002	-	841,251	9,748,252
30 June 2022				
	Fixed Birr	Floating Birr	Non-interest bearing Birr	Total Birr
Assets				
Cash and balances with banks	-	-	26,042,800	-
Loans receivables	-	-	-	-
Total	-	-	26,042,800	-
Liabilities				
Deposits from customers	-	-	-	-
Other liabilities	-	-	1,622,322	1,622,322
Borrowing	-	-	-	-
Total	-	-	1,622,322	1,622,322

4.6 Capital management

Elsabi'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, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4.6.1 Capital adequacy ratio

According to the Licensing & Supervision of Microfinance Business Directive No MFI/27/2015 of the National Bank of Ethiopia, Elsabi has to maintain capital to risk weighted assets ratio of 12% at all times.

The capital adequacy ratio is the quotient of the capital base of Elsabi and its risk weighted asset base. Capital includes capital contribution, retained earnings, legal reserve and Donated equity.



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	30 June 2023	30 June 2022
	Birr	Birr
Capital		
Capital contribution	27,000,000	25,000,000
Retained earnings	1,777,445	(317,495)
Legal reserve	110,260	-
	<u>28,887,705</u>	<u>24,682,505</u>
Risk weighted assets		
Risk weighted balance for on-balance s.20	1,036,747	5,208,560
Credit equivalents for on balance sheet 100	33,741,193	-
	<u>34,777,941</u>	<u>5,208,560</u>
Risk-weighted Capital Adequacy Ratio (CAR)	83%	474%
Minimum required capital	12%	12%
Excess	71%	462%

4.7 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1 Financial instruments not measured at fair value - Fair value hierarchy

The following table summarizes the carrying amounts of financial assets and liabilities at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

	Carrying amount	Fair value
	Birr	Birr
30 June 2023		
Financial assets		
Cash and balances with banks	5,183,737	5,183,737
Loans and receivables	31,057,505	31,057,505
Other asset	550,313	550,313
Total	<u>36,791,555</u>	<u>36,791,555</u>
Financial liabilities		
Deposits from customers	8,976,002	8,976,002
Borrowings	-	-
Other liabilities	772,251	772,251
Total	<u>9,748,252</u>	<u>9,748,252</u>



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	Carrying amount	Fair value
	Birr	Birr
30 June 2022		
Financial assets		
Cash and balances with banks	26,042,800	26,042,800
Loans	-	-
Other Asset	237,188	237,188
Total	26,279,988	26,279,988
Financial liabilities		
Deposits from customers	-	-
Borrowings	-	-
Other liabilities	1,622,322	1,622,322
Total	1,622,322	1,622,322



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5 Interest income

	30 June 2023	30 June 2022
	Birr	Birr'
Individual Loan	1,074,376	-
Consumption Loan	20,587	-
Short Term Loan	2,480,902	-
Company Employment Loan	569,918	-
Interest Income on bank Deposits	3,005	-
	<u>4,148,788</u>	<u>-</u>

6 Interest expense

	30 June 2023	30 June 2022
	Birr'	Birr'
Interest on customer savings- Mandatory Savings	78,313	-
Interest on customer savings- Voluntary/Demand Savings	77,834	-
Interest on customer savings- Time Deposit	-	-
	<u>156,147</u>	<u>-</u>

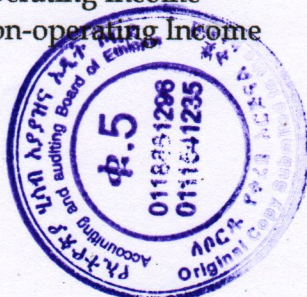
7 Net fees and commission income

	30 June 2023	30 June 2022
	Birr'	Birr'
Fee and commission income		
Loan Processing fees and Charges	1,698,360	-
Pass book fees	46,900	-
	<u>1,745,260</u>	<u>-</u>
Fee and commission expense	-	-
Net fees and commission income	<u>1,745,260</u>	<u>-</u>

The loan processing fee is used by EMFI to cover loan processing expenses up to Disbursement to the Borrower •

8 Other income

	30 June 2023	30 June 2022
	Birr'	Birr'
Insurance Income	558,489	-
Penalty Charges	97,023	-
Other operating Income	-	42,800
Other non-operating Income	55,000	-
	<u>710,512</u>	<u>42,800</u>



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9 Personnel expenses

	30 June 2023	30 June 2022
	Birr'	Birr'
Short term employee benefits :		
Salary and wage Expense	2,246,279	-
Allowance	430,517	-
Pension fund.expense	229,441	-
	2,906,237	-
Long term employee benefits :		
Pension costs - Defined benefit plans	-	-
	2,906,237	-

10 Other operating expenses

	30 June 2023	30 June 2022
	Birr'	Birr'
Training	8,448	-
Medical Expense	34,067	-
Insurance Expense	3,216	-
Bank Charges	14,171	-
Audit Fee Expense	69,000	69,000
Membership and Registration Fee	53,722	-
Contribution Fee Expense	10,000	-
Perdiem and Accomodation	57,875	-
Transport Expense	28,847	-
Office Rent Expense	261,916	80,313
Office Supplies and stationery	222,899	-
Advertisement Expense	68,861	13,822
Cleaning Material Expense	19,260	-
Consultancy fee Expense	-	190,000
Purchase of materials	57,834	-
Donation	55,000	-
Utilities Expense	6,566	-
Communication Expenses	91,509	-
Labor Cost	40,900	-
Fine and Fee	2,031	-
Car Rent	10,900	-
Miscellaneous Expense	9,823	-
Total	1,126,845	353,135



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10.1 Depreciation and impairment of property, plant and equipment

	30 June 2023	30 June 2022
	Birr'	Birr'
Depreciation	210,130	7,160
Amortization Expense intangible asset	-	-
Amortization Expense Lease	-	-
	<u>210,130</u>	<u>7,160</u>

11 Cash and balances with banks

	30 June 2023	30 June 2022
	Birr'	Birr'
Cash in hand	-	-
Cash at Bank	5,183,737	26,042,800
	<u>5,183,737</u>	<u>26,042,800</u>

Maturity analysis

	30 June 2023	30 June 2022
	Birr'000	Birr'000
Current	5,183,737	26,042,800
Non-Current	-	-
	<u>5,183,737</u>	<u>26,042,800</u>

12 Loans and receivables

	30 June 2023	30 June 2022
	Birr'	Birr'
Individual Loan	11,222,142	-
Consumption Loan	427,905	-
Short Term Loan	16,567,343	-
Company Employment Loan	2,840,115	-
Gross amount	31,057,505	-
Less: Impairment allowance (note 16a)		
Specific impairment	-	-
Collective impairment	-	-
	<u>31,057,505</u>	<u>-</u>



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13 Other assets

	30 June 2023 Birr'	30 June 2022 Birr'
Financial assets		
Staff advance	190,564	-
Prepaid staff loan	-	-
	190,564	-
Other financial assets		
Prepayments	65,772	237,188
Inventory	293,977	-
Other current Asset	-	-
	359,749	237,188
Less : Impairment allowance on other assets	-	-
Gross amount	550,313	237,188
Maturity analysis		
	30 June 2023 Birr'	30 June 2022 Birr'
Current	550,313	237,188
Non-Current	-	-
	550,313	237,188

13a Inventory

A breakdown of the items included within inventory is as follows:

	30 June 2023 Birr'	30 June 2022 Birr'
Office Supply	18,147	-
Pads & Printing	255,830	-
T- shirt	20,000	-
	293,977	-



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14 Property, plant and equipment

	Computer & Equipment	Furniture and fittings	Motor vehicles	Total
	Birr	Birr	Birr	Birr
Cost:				
As at 1 July 2021	-	-	-	-
Additions	32,000	-	-	32,000
Disposals	-	-	-	-
As at 30 June 2022	32,000	-	-	32,000
As at 1 July 2022	32,000	-	-	32,000
Additions	796,700	1,301,993	-	2,098,693
Disposals	-	-	-	-
As at 30 June 2023	828,700	1,301,993	-	2,130,693
Accumulated depreciation				
As at 1 July 2021	7,160	-	-	7,160
Charge for the year	-	-	-	-
Disposals	-	-	-	-
As at 30 June 2022	7,160	-	-	7,160
As at 1 July 2022	7,160	-	-	7,160
Charge for the year	137,186	72,944	-	210,130
Disposals	-	-	-	-
As at 30 June 2023	144,347	72,944	-	217,291
Net book value				
As at 30 June 2022	24,840	-	-	24,840
As at 30 June 2023	684,353	1,229,049	-	1,913,402

15 Deposits from customers

	30 June 2023	30 June 2022
	Birr	Birr
Mandatory Savings	3,357,260	-
Voluntary/Demand Savings	5,618,742	-
Deposit	-	-
	8,976,002	-



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16 Other liabilities

	30 June 2023	30 June 2022
	Birr	Birr
Accrued Payable	107,831	-
Shareholders payable (Note 21a)	583,322	1,617,822
Tax Payables	73,055	4,500
Pension Payble	77,043	-
	<u>841,251</u>	<u>1,622,322</u>
Financial liabilities		
Commercial Loan		
Current	-	-
None current	-	-
Other Long term Liabilities	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Gross amount	<u>9,817,252</u>	<u>1,622,322</u>

Maturity analysis

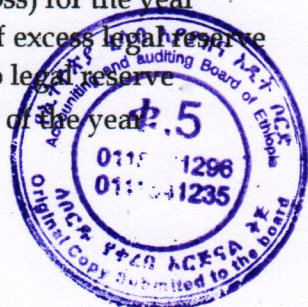
	30 June 2023	30 June 2022
	Birr	Birr
Current	9,748,252	1,622,322
Non-Current	-	-
	<u>9,748,252</u>	<u>1,622,322</u>

17 Paid up Capital

	30 June 2023	30 June 2022
	Birr	Birr
Authorized		
100,000,ordinary shares of Birr 1,000 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
27,000,ordinary shares of Birr 1,000 each	<u>27,000,000</u>	<u>25,000,000</u>

18 Retained earnings

	30 June 2023	30 June 2022
	Birr'	Birr
At the beginning of the year	(317,495)	-
Profit/ (Loss) for the year	2,205,200	(317,495)
Reversal of excess legal reserve	-	-
Transfer to legal reserve	(110,260)	-
At the end of the year	<u>1,777,445</u>	<u>(317,495)</u>



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19 Taxation

Elsabi MFI Board of Directors decided, entire amount of retained earning for the current year, transfer to Paid Up Capital after deduct the amount of legal reserve

Accordingly, there will be no dividend payment for current year no profit tax will be paid as long as the dividend is not distributed in accordance with the regulation Proclamation no 626/2009 article 23 sub article 2

20 Cash generated from operating activities

	Notes	30 June 2023 Birr	30 June 2022 Birr
Profit before tax		2,205,200	(317,495)
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	14	210,130	7,160
Changes in working capital:			
-Decrease/ (Increase) in loans and advances to custom	9	(31,057,505)	-
-Decrease/ (Increase) in other assets	13	(313,126)	(237,188)
-Increase/ (Decrease) in other liabilities	16	(781,071)	1,622,322
-Increase/ (Decrease) in deposits from customers	15	8,976,002	-
		<u>(20,760,370)</u>	<u>1,042,800</u>

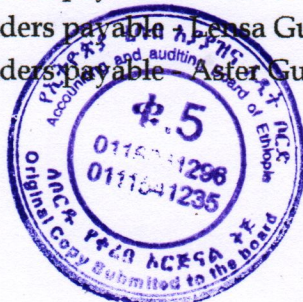
In the statement of cash flows, profit on sale of property, plant and equipment (PPE) comprise:

	30 June 2023 Birr	30 June 2022 Birr
Proceeds on disposal	-	-
Net book value of property, plant and equipment disposed	-	-
Gain/(loss) on sale of property, plant and equipment	-	-

21 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

	30 June 2023 Birr	30 June 2022 Birr
21a Balances with related parties		
Shareholders payable - Elnet Technologies	583,322	617,822
Shareholders payable - Lassa Gudina	-	500,000
Shareholders payable - Aster Gudina	-	500,000
	<u>583,322</u>	<u>1,617,822</u>



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One of the shareholders of our institution, 'Elnet Technology', has covered the costs of our institution with cash when it was in the early stages of its establishment, so an accounts payable category has been maintained.

21b Key management compensation

Key management has been determined to be the members of the Board of Directors CEO and department managers of Elsabi. Benefit paid or payable to key management for is shown. There were no sales or purchase of goods and services between Elsabi and key management personnel as at 30 June 2023

	30 June 2023 Birr	30 June 2022 Birr
CEO and Dep't managers Salaries and other short-term employee benefits	1,472,214	-
Post-employment benefits	-	-
Termination benefits	-	-
Sitting allowance (CEO & Dep't managers/Representation Allowance)	72,000	-
Board allowance	-	-
Other expenses (Pension Contribution)	73,966	-
	<u>1,618,180</u>	<u>-</u>

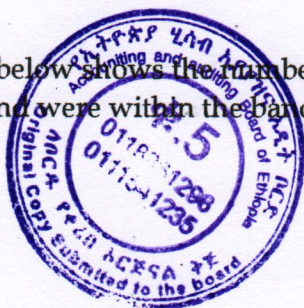
Benefit of Elsabi's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefits plans.

22 Department Manager and Employees

- i) The average number of persons (excluding directors) employed by the Elsabi during the year was as follows:

	30 June 2023 Number	30 June 2022 Number
Professionals and High Level Supervisors	2	-
Semi-professional, Administrative and Clerical	13	-
Technician and Skilled	-	-
	<u>15</u>	<u>-</u>

- ii) The table below shows the number of employees, who earned over Birr 3,000.00 as emoluments in the year and were within the bands stated.



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3,000-10,000	6	-
10,001-20,000	7	-
20,001 - 40,000	2	-
Above 40,000	1	-
	<u>16</u>	<u>-</u>

23 Events after reporting period

In the opinion of the Management, there were no events in Elsabi as at 30 June 2023 on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

24 Recovery Rate

	30 June 2023 Birr	30 June 2022 Birr
Loan Outstanding 30 June 2022	-	-
Disbursement during the year	43,925,711	
Loan Outstanding 30 June 2023	(29,443,088)	
Total Collection	<u>14,482,623</u>	
Write off 30 June 2023	-	
Principal Past due	-	
Total Principal Past due	-	
Recovery Rate	<u>100%</u>	<u>-</u>

Recovery Rate = $\frac{(\text{Amount Collected during the period})}{(\text{Amount collected during the period} + \text{Amount past due} + \text{Amount written off}) \times 100\%}$

Recovery Rate = $\frac{14,482,623}{(14,482,623 + 0 + 0)}$

Recovery Rate = 100%

