

# Elsabi **ANNUAL** REPORT 2022/23

## Products

Saving  
Loan  
Credit Life -  
Insurance

**GET YOUR**  
**Financial Freedom**



Addis Ababa Jacros Area

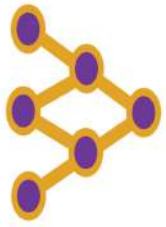


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+251 116 675793



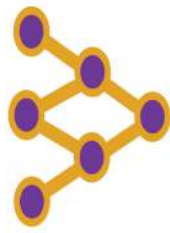
info@elsabi.net



**Elsabi**  
...upgrading life!



**ANNUAL**  
**REPORT 2022/23**



**Elsabi**  
*...upgrading life!*

# **ANNUAL REPORT**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2023**





**Elsabi**  
... upgrading life

      
[www.elsabi.net](http://www.elsabi.net)

## GET IN TOUCH Transform life

TOGETHER, WE CAN MAKE A DIFFERENCE. GET IN TOUCH WITH US AND JOIN OUR MICROFINANCE MOVEMENT TO TRANSFORM LIVES, ONE LOAN AT A TIME.

OUR FINANCIAL SUPPORT CAN BE A CATALYST FOR CHANGE. CONNECT WITH US AND BE PART OF OUR MISSION TO TRANSFORM LIVES THROUGH MICROFINANCE, UNLOCKING POTENTIAL AND BUILDING BRIGHTER FUTURES

# 2023/24

## IT'S A NEW BEGINNING

AS WE STEP INTO THE NEW YEAR, LET'S CELEBRATE THE SPIRIT OF MICROFINANCE THAT EMPOWERS INDIVIDUALS, FAMILIES, AND COMMUNITIES. WISHING THE NEW YEAR OF FINANCIAL INCLUSION, RESILIENCE, AND PROSPERITY.







## Saving Products

Our microfinance saving is the bedrock of financial empowerment, where even the smallest contributions have the power to create a ripple effect of opportunity, resilience, and a pathway to a better future.

## Loan Products

Our microfinance loans are more than just financial assistance; they are catalysts for change, empowering individuals and communities to unlock their potential, pursue their dreams, and create a brighter tomorrow.

## Credit Life Insurance

Our microfinance credit life insurance is the shield that safeguards aspirations, providing borrowers with the assurance that their dreams will endure, even in the face of unexpected challenges. It is the promise of protection, empowering individuals to borrow with confidence and build a brighter future for themselves and their loved ones.



# SMART SAVING

**S**mart saving is not just about setting money aside; it's about leveraging technology, embracing innovation, and making every cent count towards a brighter financial future.

## Vision



"To be the leading micro-finance institution in Africa using the state-of the-art technology."

## Mission



"To provide effective and efficient financial and related service to the unbanked micro and small enterprises, farmers 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."

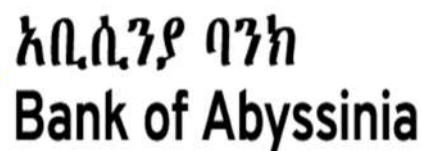
## CORE



- E- Empowerment**
- L- Long Term Sustainability**
- S- Social Responsibility**
- A- Accountability**
- B- Business Ethics**
- I - Innovation**



## OUR PARTNERS



## PARTNERS



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# HIGHLIGHTS OF MAJOR PERFORMANCES



**NET PROFIT**  
BIRR 2.2 MILLION



**DEPOSIT**  
BIRR 8.98 MILLION



**NO OF LOAN DISBURSED**  
490



**LIQUIDITY RATIO**  
58%



**CAPITAL ADEQUACY**  
83%



**TOTAL LOAN DISBURSED**  
BIRR 43.9 MILLION



**NO OF SAVER**  
856



**LOAN OUTSTANDING BALANCE**  
BIRR 29.4 MILLION



**TOTAL ASSET**  
BIRR 38.7 MILLION



**RETURN ON ASSET**  
12%



**RETURN ON EQUITY**  
8%

# BOARD CHAIRMAN'S MESSAGE

**D**istinguished Shareholders, Stakeholders, Honorable Guests, Ladies and Gentlemen!!

It is my honor and great pleasure to welcome you all, on behalf of the Board of Directors and on my own behalf, to the 2nd Elsabi Microfinance Institution Shareholders' Annual General Meeting (AGM) of the FY 2022/23. I would also like to extend my heartfelt appreciation to our valued Customers, dedicated Management Members and all hard working Employees of the Elsabi for their continued trust, and commitments delivered to our Microfinance all the years that enabled Elsabi to register a shining result in all spheres of its operational activities during the FY 2022/23.

When we started our journey, there were primarily three goals that were driving us; To reach out to the unserved and underserved sections of our population; To be known as a responsible lender; To be the leading MFI in Ethiopia.

Elsabi Microfinance is committed to maintaining & upholding good corporate governance in order to protect the interests of shareholders, customers and the employees. Elsabi is governed by Nine Board of Directors elected by the General Assembly and the Management team comprising of the Chief Executive Officer (CEO), Finance and Admin Manager and Operation Manager. With these compositions, Elsabi now Serves above 856 active customer, mobilized a saving of 8.9 Million Birr and 43.9 million birr disbursed for loan, as of June 30, 2023 the loan Outstanding Balance of Elsabi is reach to 29.4 Million Birr.

In the fiscal year 2022/23, the significant financial and non-financial highlights for the year are as follows: Total assets amounted to \$38.7 million, while total liabilities stood at \$9.8 million. The company achieved a total revenue of \$6.6 million, resulting in a net income of \$2.2 million



**Eng. Tokkicha Alemayehu Ketema**  
**Board Chairman**

Elsabi has successfully registered its logo with the Ethiopian Intellectual Property Authority, ensuring its exclusive ownership and protection for a period of 7 years. Additionally, Elsabi is officially registered with the Accounting & Auditing Board of Ethiopia (AABE), signifying compliance with financial regulations and standards. To solidify our commitment to transparency and accountability, we have issued share certificates to our valued shareholders, providing them with tangible proof of their ownership and investment in Elsabi. Furthermore, we are proud to be a distinguished member of the Association of Ethiopian Microfinance Institutions (AEMFI).

In conclusion, on behalf of the Board of Directors, I want to once again express my sincere gratitude to all Shareholders, Customers, Business Partners and other Stakeholders for their unwavering and indispensable support of the MFI's efforts.

I also wish to thank Elsabi customers for working with us and the confidence they have on our MFI. Moreover, I look forward to their continuous commitment to work with the MFI in the future to come.

Finally, I want to assure you that in the years to come, our MFI will strongly scrutinize the laid down Vision and Strategy to bring about further excellence by exploiting opportunities and vigilantly with standing the challenging environment

May God Bless Ethiopia



# CHIEF EXECUTIVE OFFICER'S STATEMENT

**V**alued Shareholders, distinguished ladies and gentlemen!!

On behalf of the entire management of Elsabi Microfinance and my own behalf, it is my pleasure to welcome you all to this year's Annual General Meeting. It is a great honor to present to your Micro-finance Performance report and developments in the sector for the year under review. Indeed, the celebration of our inauguration last year was reminder of the first journey we embarked upon at inception. We are especially proud of the significant progress that we have achieved in our business and the impact that we continue to make in the lives of people in the communities in which we operate.

In the course of our operation on this years, Elsabi MFI has strived to Provide innovative and Customer-centric financial solutions that Cater to the diverse needs of its customers. We continue to maintain a high level of integrity, Professionalism, and transparency in all our dealings. As a result, we have earned the trust and loyalty of our customers. Indeed, this has been the foundation of our success.

We have also developed new products and services to ensure our core objective of making it easier for the people we serve to access financial support, much faster and convenient. I must highlight that our impact does go beyond business. We recognize the role that we play in the wider society as we remain committed to making a positive impact on people live.

We have been keeping and moving forward following our Vision, Mission and remaining fully operate as usual quarters. Further to this, although, it's not fully achieve our plan in the case of Capital limitation but at least, we achieve our loan disbursement as well as Outstanding Loan



**Ato Abiyot Urga**  
Chief Executive Officer

Balance 73% & 72% respectively compared to plan. Number of active borrower client and Operational self-sufficiency has also significantly achievement which is above the plan 145% and 103% respectively, Saving Mobilization is also a significant achievement 98% compared to the plan, with our management group and all staffs commitments, we achieving our Total Revenue and Net profit plan by 71% & 73% respectively

As an Institution, our employees are our first customers; hence, we place a premium on their growth and professional development. In the course of 2022/23, we stepped up efforts to strengthen performance management, talent development, career enrichment, managerial effectiveness, and staff well-being. This was done through partnership with the Association of Ethiopian Microfinance Institution (AEMFI).

I would like to thank our staff, customers, stakeholders, regulators, partners and shareholders for the continued unwavering support. There is no doubt that, without your commitment and dedication, we would not have achieved this significant milestones.

My deep gratitude also to board members and management for the continued commitment and support in ensuring that Elsabi Remains dedicated to its mission of empowering businesses and Upgrading lives.

**May God Bless Ethiopia**



**INVESTING  
TODAY**

**FINANCIAL  
COMPANY**







# **ELSABI MICROFINANCE INSTITUTION S.CO**

## **2022/23 ANNUAL PERFORMANCE REPORT**

This is an annual report prepared with a view to describing the detail activities that Elsabi Micro Financing Share Company has undertaken in the fiscal year 2022/23. The report in compasses the multiple tasks it performed in the area of program expansion, savings mobilization, volume of disbursement and collection.

The report also attempts to make few statements on activities such as training, human resource, and staff development etc. Finally, problems and challenges faced during the year are stated.

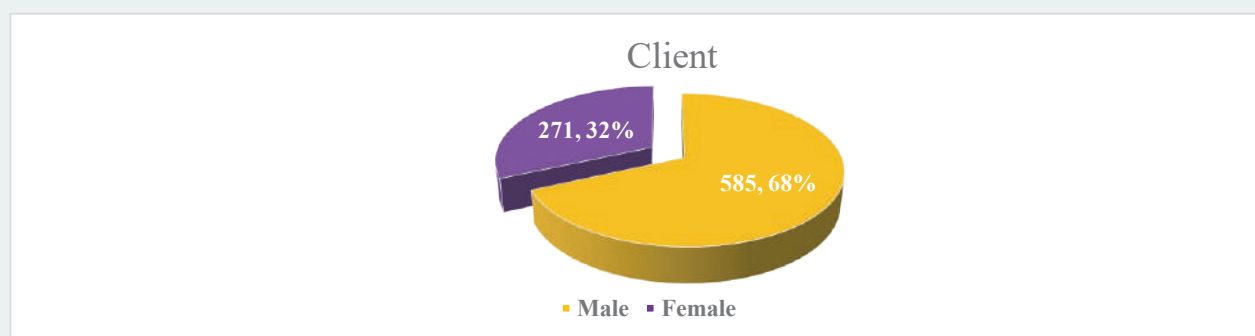
### PROGRAM PERFORMANCE (OPERATIONAL)

In the fiscal year 2022/23 Elsabi MFI made its operation in 2 Sub city with 2 branch's, Yerer Leka and Kotebe Atklit tera Branch, however the Company clients are from all eleven Sub city, as a region currently Elsabi is served only in Addis Ababa

#### CLIENT RECRUITMENT

Client Recruitment is one of the major task that Elsabi carries out aggressively. In the fiscal year recruited a total number of 856 clients, which are 585 male and 271 female.

	Client No.	Share
Male	585	68.3%
Female	271	31.7%
Total	856	100%

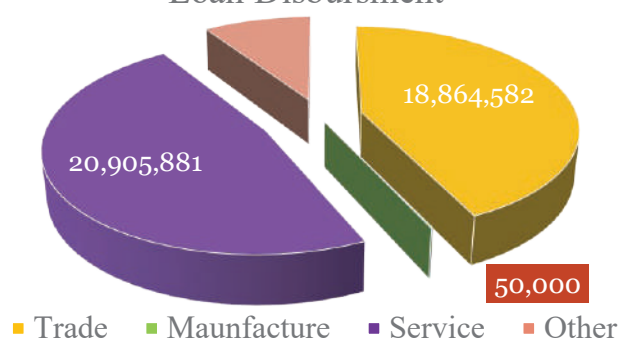


### VOLUME OF DISBURSEMENT AND OUTSTANDING LOAN BALANCE

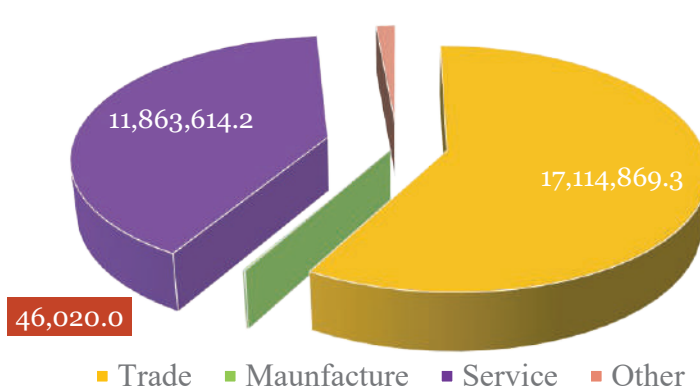
During the year a total of Birr 43,925,711.00 has been disbursed at Company level. Currently, the institution has an outstanding loan balance (OLB) of Birr 29,443,088.00 in the hands of clients.

Sector	Loan Disbursement	OLB	Share
Trade	18,864,582	17,114,869.3	58.1%
Manufacture	50,000	46,020.0	0.2%
Service	20,905,881	11,863,614.2	40.3%
Other	4,105,248	418,584.8	1.4%
Total	43,925,711	29,443,088.2	100%

Loan Disbursement



OLB

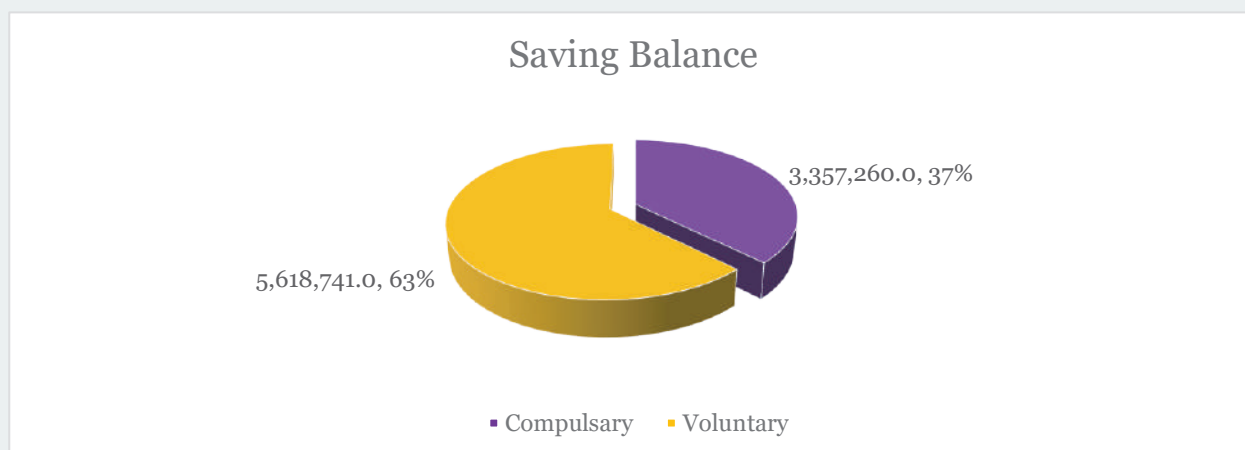


## SAVINGS MOBILIZATION

In the fiscal year 2022/23, the Institution is able to mobilize as much as Birr 50,981,475.00 savings mainly from customers, and made a withdrawal of 42,006,867.08 whose current balance is Birr 8,974,608.92, its ratio as percentage of the total Portfolio accounts 30%.



	Saving Balance	Share
Compulsory	3,357,260.0	37.4%
Voluntary	5,618,741.0	62.6%
<b>Total</b>	<b>8,976,001.0</b>	<b>100%</b>

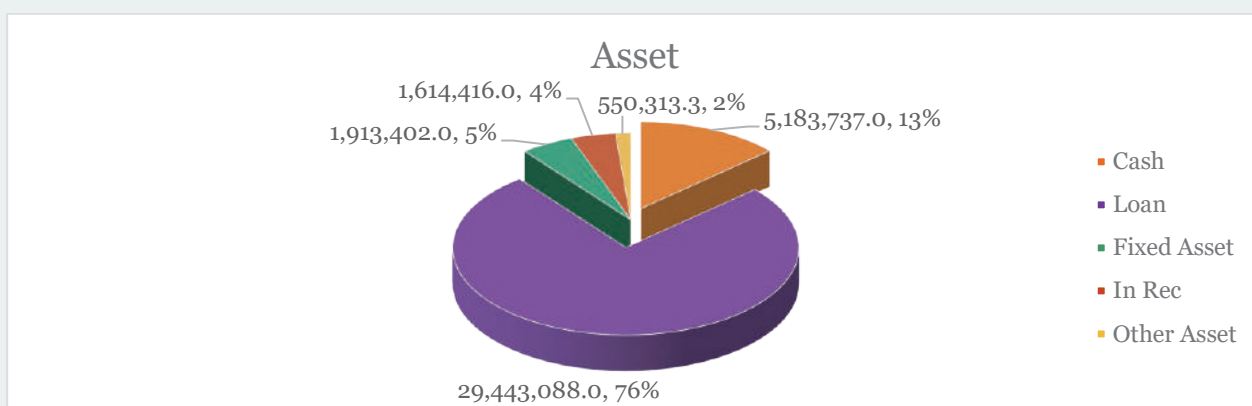


## PROGRAM PERFORMANCE (FINANCIAL)

### TOTAL ASSETS

As at June 30,2023, total asset of the EMFI reached Birr 38.7 million, within this total asset, net loans took the lion's share of Birr 29.4 million (76 percent) and Birr 5.2 Million ( 13%) is cash . The significant growth in the asset size of the MFI was largely contributed is increasing in loans to customers which would ensure a sustainable growth of the MFI in the long run.

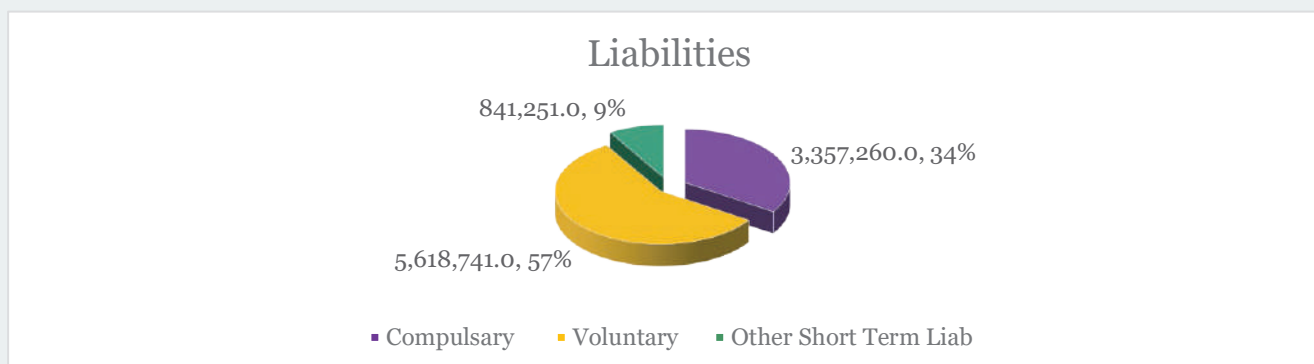
	Asset	Share
Cash	5,183,737.0	13.4%
Loan	29,443,088.0	76.1%
Fixed Asset	1,913,402.0	4.9%
In Rec	1,614,416.0	4.2%
Other Asset	550,313.3	1.4%
<b>Total</b>	<b>38,704,956.3</b>	<b>100%</b>



## TOTAL LIABILITY

As at June 30,2023, Total Liability of the EMFI reached Birr 9.8 million, within this total Liability, Saving took the lion's share of Birr 8.97 million (91 percent) and Birr 0.84 Million ( 9%) is Others . This shows that the company is in Healthy financial Position.

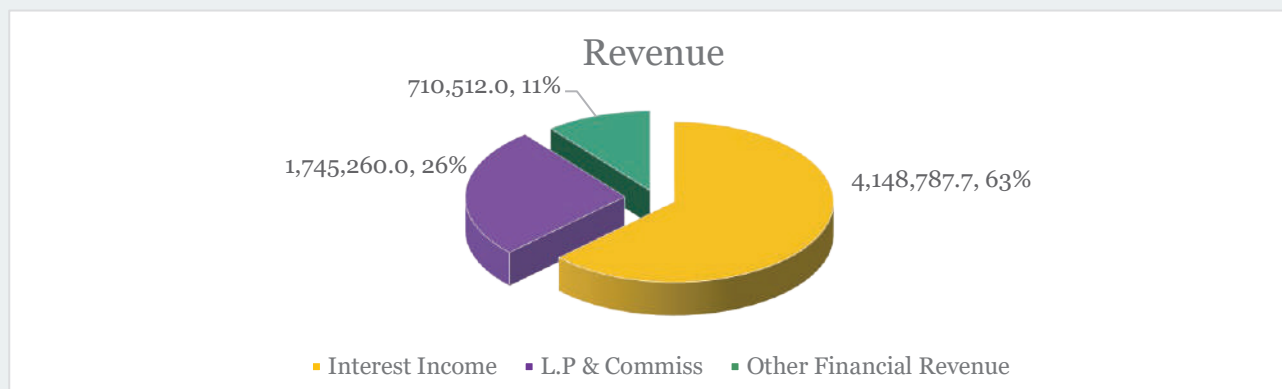
	Liabilities	Share
Compulsory	3,357,260.0	34%
Voluntary	5,618,741.0	57%
Other Short Term Liab	841,251.00	9%
<b>Total</b>	<b>9,817,252.</b>	<b>100%</b>



## REVENUE

Elsabi MFI generated a total Revenue of Birr 6.6 million during financial year 2022/23, In terms of composition, interest income took the lion's share of total Revenue (63 percent), followed by Loan Processing fee and commission income (26 percent) and other operating income (11 percent).

	Revenue	Share
Interest Income	4,148,787.7	62.8%
L.P or Commission	1,745,260.8	26.4%
Other Financial Revenue	710,512.3	10.8%
Total	6,604,559.8	100%



## NET PROFIT

Elsabi MFI registered a profit of Birr 2.21 million during a financial year 2022/23, one the major measurement of company sustainability is operational self-suffice (OSS), in the sector 143 % is the highest but we are register 152% which was a record in the history of private MFIs operating in Ethiopia make a profit in the first year of the Operation. Not only that the business proposal submitted to the national bank of Ethiopia said that the institution would make a profit in the 3rd year, but our institution made a profit in 9 months after we started operation.

## HUMAN RESOURCE PERFORMANCE

### STAFF TRAINING

As staff development is one key task to be performed on sustained manner, Elsabi MFI has devoted every resource it has to enhance the skill, capability of its staff.

To this effect, it has conducted 3 in house training on selected key areas such as Customer Handling, Supervision techniques, and Saving Mobilization particularly to front line staff. In this training program Savings and Credit Officers and Branch Managers have already taken part.

Besides significant number of our staff have been rendered training program by our stakeholders particularly by AEMFI – Association for Ethiopian Micro Finance Institutions (21 Training).



The other training program components extended to clients by Elsabi staff are BDS (Business Development Services) and Basic Business Skill Training (BBST). These are designed to clients with a bit to develop customers' entrepreneurial skill, broaden their insights on business and profitability. During the fiscal year a close to 62 number of clients have been accessed to the training programs.

## **STAFF DEVELOPMENT**

In the fiscal year a fair number of staff as many as 20 are recruited. A promotion to a better position have also occurred, 4 number of staff have terminated its employment contract with the institution for several reasons and the current total staff number is 16, 50% (8 Staff are Female).

## **MEETINGS, DECISION & REPORT PRODUCTION**

The 1<sup>st</sup> General Assembly of Elsabi Microfinancing Institution Share Company has been held on the year 2022/23 where major issues about external auditor selection and reports have been thoroughly discussed and resolutions have been passed.

Three major quarterly reports have been produced and complied whose copies have been lodged to National Bank of Ethiopia for their consideration. The report comprises of four parts General Information, Staffing, Financial & Operational, and Product and Service.

During the year, the Institution's Board of Directors have convened considerable number of meetings as many as 8 Regular meetings. These meetings have been reminding of times in which important decisions of institutional matters have been passed.

In a similar development, the Management Committee, branch managers and Department Heads took numerous meetings in the same fiscal year. Management committee members have conducted innumerable meetings in which important decisions were passed. During the same year, General staff meeting was also convened and pertinent issues like

- Institutional financial and Operational status position
- Human resource

In the Budget Year the Institution works several works

- Registration of Elsabi Logo
- Renew the License from NBE
- Registration of the company in AABE
- Branch License take
- Share Certificate Distribution
- All staff has are used more than half annual leave
- Contribute for Dine for Generation

### PROBLEMS AND CHALLENGES FACED

- Lack of Loanable fund
- High inflation Rate & Living cost
- Issues related with staff on benefits

### PLAN VERSUS ACHIEVEMENT

When the 2022/23 plan was prepared, the main source of finance was the shareholders' capital raising, but only 8 percent of the capital that was supposed to be collected in the fiscal year was collected, which is one million birr from the GTF and one million birr from Taxiye.

Parameters	Plan 2022/23	Actual June 2023	Achievement
Share Collection	25,000,000.00	2,000,000.00	8%
Disbursement	60,210,000.00	43,919,000.00	73%
Outstanding Loan Balance	40,973,750.00	29,443,088.00	72%
Saving Mobilized	9,136,700.00	8,976,001.00	98%
Active Borrowers Client	282	408	145%
OSS	147%	152%	103%
Total Revenue	9,332,550.00	6,604,559.00	71%
Net Profit	3,004,333.00	2,205,200.00	73%



# **ELSABI MICROFINANCE INSTITUTION S.CO**

## **2023/24 ANNUAL PLAN & BUDGET**



### **BASIC PLAN ASSUMPTIONS**

#### **BASIC PLAN ASSUMPTIONS**

The new 5 years Strategic Business Plan of Elsabi will be developed in 2024. As usual, Elsabi will receive all the required strategic guidance & direction from the BoD's in implementing the 2023/24 Business operation plan. Elsabi's product & services will be absorbed by both existing & potential clients'/customers in the planning year. There will be a huge demand & market for microfinance services in Ethiopia & this market & demand will continue to exist under 2023/24 operation year as well.

The increased availability of financial resources for loan-able fund in last plan years (from public saving) will continue to come. The existing staffs will be encouraged by the current competitive salary & benefit packages coupled with the various Capacity Building opportunities offered by the Institution. The Institution will also attract capable & qualified staffs for its operation under the planning year. The availability of financial resources for loan-able fund, 50% shareholder capital will collect in planned year.

#### **SWOT ANALYSIS**

##### **STRENGTH**

- A high level of a team spirit, Committed and experienced staff.
- Close attachments with All Partners
- A well-equipped system with workable policies and procedures
- Transparent recruitment and promotion manual
- Cost minimization

##### **WEAKNESS**

- Shortage of credit funds

##### **OPPORTUNITIES**

- Strong interest of government in the industry
- Positive trend in economic growth
- High demand for credit

##### **THREATS**

- Higher inflation rate
- High cost of living
- Shortage of commercial Funding
- Low level of financial literacy

## MAJOR TARGETS/OBJECTIVES WITH BUDGET... 2023/24

Targets/Objectives	Budget Amount in (ETB)
Total amount of financial resources ( cash) that will be mobilized from internal & external sources is estimated to reach,	141,827,061.96
Elsabi supposed to increase its active Clients (savers plus borrowers) no.	2,150
The total loan disbursement will be expected to reach,	<b>109,954,267.50</b>
Total loan repayment is expected to be collected in the amt of	65,839,238.98
Gross Loan Portfolio is expected to reach,	72,611,929.59

Targets/Objectives	Budget Amount in (ETB)
Elsabi's total deposit is expected to attain	15,526,383.55
The Total Assets is expected to grow,	87,129,202.85
The Total capital is expected to raise by,	61,030,416.02
Elsabi will recognize a net profit ,	8,830,415.64

## GROWTH ON MAJOR PORTFOLIO TARGETS – 2023/24

### Growth Targets

Targets/Objectives	Growth (%)
<b>Client Outreach:-</b> Elsabi's Active # of Clients' will grow by	<b>151%</b>
<b>Branches:-</b> Elsabi will grow its Branch by	<b>150%</b>
<b>Loan Disbursement:-</b> The loan sales/ disbursement of the Institution will grow	<b>168%</b>
<b>Gross Loan Portfolio :-</b> The gross Loan portfolio is expected to grow by	<b>155%</b>
<b>PAR90:-</b> Elsabi's Portfolio at Risk will be	<b>1.5%</b>
<b>Total Deposit:-</b> Total saving will reach & grow by	<b>143%</b>
<b>Total Asset:-</b> The total Asset of the Institution will rise by	<b>140%</b>

Targets/Objectives	Growth (%)
<b>Total Capital:-</b> The total capital will also grow by,	109%
<b>Net Profit:-</b> Elsabi will achieve a net profit growth of,	301%
<b>ROA:-</b> Elsabi’s return on Asset will grow by ,	14%
<b>ROE:-</b> The same return on the total Equity of the Institution will attain,	20%
<b>Operational Sustainability:-</b> Elsabi’s Operational Self- Sufficiency ratio will reach	155%
<b>Staffs:-</b> By the end of the projection period (June2024), Elsabi MFI total staff will grow by	56

## 2023/24 OPERATIONAL TARGETS VS BASE YEAR (JUNE’2023)

### Client Outreach

Particulars	June'23	Target June'24	
	(Base)	No.	Growth (%)
Active Clients (savers plus borrowers)	856	2,150	151%
Active number of Borrowers	408	1,082	165%

### Deposit Outreach

Particulars	June'23	Target June'24	
		No	Growth (%)
Total Number of Savers	856	2150	151%
Voluntary Saving	366	1068	191%
Compulsory Saving	490	1082	121%
Total Deposit (Outstanding) mobilized to date	6,388,451.89	15,526,383.55	143%



Participants	June'23	June'24	
		No	Growth(%)
No of Branches	2	5	150%
<b>TOTAL</b>	2	5	150%

## 2023/24 FINANCIAL TARGETS VS BASE YEAR (JUNE'2023)

### Asset Position

Asset	June'23	June'24	
	Amt (ETB)	Amt (ETB)	G. Rate (%)
<b>Assets performance</b>			
Total Liabilities	7,160,702.00	26,098,786	264%
Total Capital	29,200,000.38	61,030,416	109%
<b>TOTAL Assets</b>	36,360,702.36	87,129,202	140%

### Profit/Loss Position

Particular	June'23	June'24	
	Amt (ETB)	Amt (ETB)	Growth (%)
Total Financial/Operating/Income	6,523,100	24,848,280	281%
Financial and Operating Expenses	4,323,099	16,017,865	271%
Net Operating Income (N/P)	2,200,000	8,830,415	301%

**2023/24 MANPOWER TARGET VS BASE YEAR (JUNE'2023)**

June'23			June'24				
# of Staffs Hired	# of Staffs Left	Bal. end of the FY	Bal. Beginning of the FY	# of Staffs Hired	# of Staffs Left	Bal. end of the FY	G. Rate (%)
20	4	16	16	46	6	56	250%

**2023/24 ESTIMATED BUDGET REQUIREMENT & SOURCE... APPROVAL  
REQUEST TO EXECUTE THE ABOVE TARGETS/PLAN**

Expected Sources/Income	Amount	Expenditure	Total Budget Required
Repayment	65,839,238	Loan disbursement	109,954,267.50
Deposit - Customers	16,139,542	Operational Expense	13,133,036.87
Interest & Service Charge	24,848,280	Repayment 4 Loan CBE/DBE	2,420,000.00
Share payment	25,000,000	Fixed Asset Aquisition	8,000,000.00
Loan –CBE/DBE	10,000,000		
<b>Total</b>	<b>141,827,061</b>		<b>133,507,304.37</b>

**STRATEGIC IMPLEMENTATION PLAN FOR 2023/24 OBJECTIVES**

**Loan Disbursement Strategies for Outreach Programs**

- Establish three new branch offices to expand our reach.
- Optimize existing branch operations by allocating sufficient manpower and improving logistics to enhance outreach.
- Implement relevant policies and best practices to ensure effective operations and achievement of goals.

**Strategies for mobilized saving balance during the plan period**

- Creating awareness and promoting saving at all levels of the institution.
- Design incentive mechanism for saving
- Undertake campaigns on saving mobilization by staff
- Encouraging staffs and Board to save their money with the institution.
- Encouraging Eidir, cooperatives/ associations to save with the institution.
- Assigning one Marketing & Resource Mobilization Officer at Head office.
- Develop efficient and effective saving and withdrawal services process at each branch levels.

**Plan implementation strategies, Finance Department**

**Strategies for enhancing Revenue:**

- Expanding credit services through increasing volume of disbursements.
- Developing new products or services.
- Expanding saving services to MSE borrowers, government and none government employees, different social institutions, cooperatives etc.

**Strategies for minimizing costs**

- Setting reasonable budget for each layer and sections of the institution.
- Developing cost controlling mechanisms and requiring justification and approval for any over budget consumption or expenses.
- Making every employee cost conscious
- Using the advantage of economies of scale in purchasing and other areas wherever scale advantage can be exploited.

**PLAN IMPLEMENTATION STRATEGIES, HUMAN RESOURCE DEPARTMENT**

**Strategies for enhancing the quality and execution capability of Elsabi MFI's human resource:**

- Conduct a training needs assessment
- Develop training program and conduct training for both head office and branch staff

S/N	Corse Type	Number participants
1	Change Management, and Time Management	10
2	Saving Mobilization	15
3	Operation manual training	15
4	Risk based internal Control	12
5	Credit and delinquency Management	15
6	Computerized Financial Accounting	13
7	Impact Assessment & Sustainable Resource Management	11

### **PROBLEMS DURING IMPLEMENTATION & SUGGESTED SOLUTION**

#### **Problems which might be encountered during implementation**

- Shortage of loanable Fund.
- Low saving mobilization performance.
- Lack of logistics, vehicles and other facilities.
- Staff turnover

#### **Suggested Solution**

- Strengthen Public Relation works to publicize the financial services of the company with special emphasis on saving mobilization.
- Elsabi shall pay competitive salary and benefits to staff.
- Conduct appropriate staff training.
- Creating Smooth Relationship with Stakeholders
- Aggressively work on institutional capacity building activities to enhance the implementation capacities.
- Finding funding for further expansion
- Assess possible source of credits from Commercial Banks
- Encourage transparency and attempt to develop trustworthy atmosphere and mutual support and understanding among key partners





**Elsabi**  
*...upgrading life!*

# **ELSABI MICROFINANCE INSTITUTION S.Co**

## **2022/23 AUDITOR'S REPORT**

# 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 Engineeuring 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 Etiopia  
Awash bank  
Dashen Bank  
Bank of Abyssinia  
Deban 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.

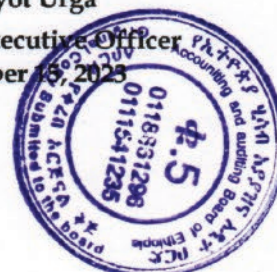
Nothing has come to the attention of the Management to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

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.

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P.O.BOX 110426, Addis Ababa Ethiopia



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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 date 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 PECA



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



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**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)	-
<b>Net interest income</b>		<b>3,992,641</b>	<b>-</b>
Fee and commission income (net)	7	1,745,260	-
Fee and commission expense	7	-	-
<b>Net fees and commission income</b>		<b>1,745,260</b>	<b>-</b>
Other operating income	8	710,512	42,800
<b>Total operating income</b>		<b>6,448,413</b>	<b>42,800</b>
Loan impairment charge		-	-
Impairment losses on other assets		-	-
<b>Net operating income</b>		<b>6,448,413</b>	<b>42,800</b>
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
<b>Net operating Expense</b>		<b>4,243,213</b>	<b>360,295</b>
<b>Profit before tax</b>		<b>2,205,200</b>	<b>(317,495)</b>
Income tax expense	19	-	-
<b>Profit after tax</b>		<b>2,205,200</b>	<b>(317,495)</b>
<b>Other comprehensive income (OCI) net on income tax</b>			
<b>Items that will not be subsequently reclassified into profit or loss:</b>			
Remeasurement gain/(loss) on retirement benefits obligations			
Deferred tax (liability)/asset on remeasurement gain or loss		-	
Remeasurement gain / (loss) on AFS assets			
<b>Total comprehensive income for the period</b>		<b>2,205,200</b>	<b>(317,495)</b>

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**



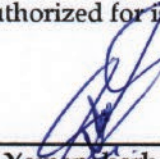
	Notes	30 June 2023 Birr	30 June 2022 Birr
<b>ASSETS</b>			
Cash and balances with banks	11	5,183,737	26,042,800
Loans and receivables	12	31,057,505	-
Other assets	13	550,313	237,188
Property, plant and equipment	14	1,913,402	24,840
<b>Total assets</b>		<b>38,704,957</b>	<b>26,304,827</b>
<b>LIABILITIES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

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		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>25,000,000</b>	<b>(317,495)</b>	<b>-</b>	<b>24,682,505</b>
<b>As at 30 June 2022</b>		<b>25,000,000</b>	<b>(317,495)</b>	<b>-</b>	<b>24,682,505</b>
 As at 1 July 2022		<b>25,000,000</b>	<b>(317,495)</b>	<b>-</b>	<b>24,682,505</b>
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		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,000,000</b>	<b>2,094,940</b>	<b>110,260</b>	<b>4,205,200</b>
 <b>As at 30 June 2023</b>		<b>27,000,000</b>	<b>1,777,445</b>	<b>110,260</b>	<b>28,887,705</b>

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
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	(20,760,370)	1,042,800
Withholding tax paid		-	-
Income tax paid		-	-
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(20,760,370)</b>	<b>1,042,800</b>
<b>Cash flows from investing activities</b>			
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		-	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(2,098,693)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Paid up Capital and donated	17	2,000,000	-
Donated equity received on kind		-	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>2,000,000</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(20,859,063)</b>	<b>1,042,800</b>
Cash and cash equivalents at the beginning of the year	11	26,042,800	25,000,000
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>5,183,737</b>	<b>26,042,800</b>

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





### 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

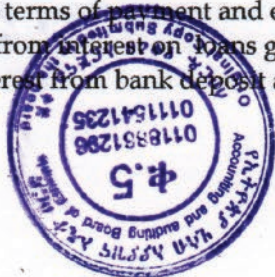
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets 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.





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**

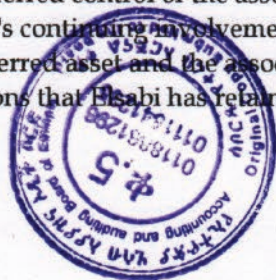
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from Elsabi's statement of financial position) when:

- 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.





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**

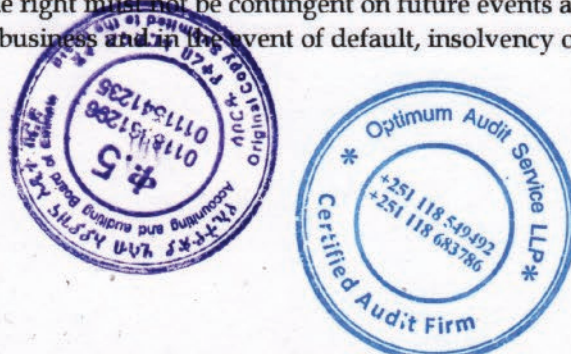
Elsabi seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as House, Movable Property, Vehicle, Group guarantees and 10% of Mandatory Saving for loan disbursed. The fair value of collateral is generally assessed, at a minimum, 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.





## 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 acquisition 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.

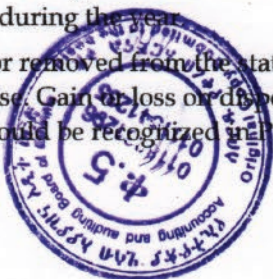
Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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





## **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.

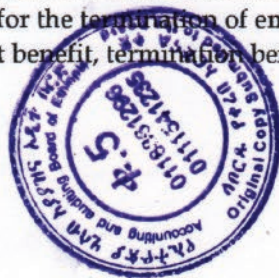
### **(b) Other receivables**

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.





**(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.

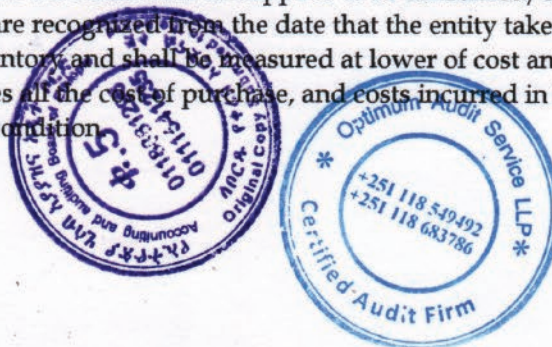
Contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. It must be disclosed in the notes if they are probable.

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.





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:

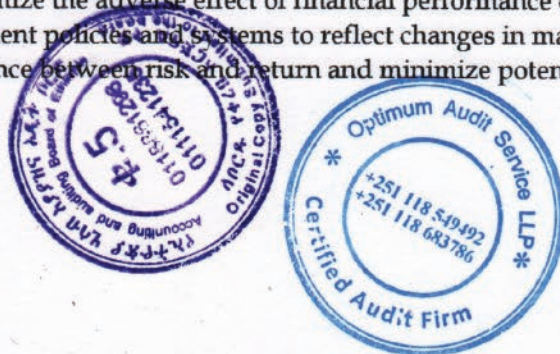
##### **Estimates and assumptions**

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





#### **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**

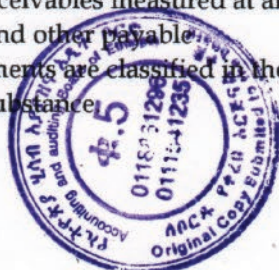
Risk controls and mitigants, identified and approved for Elsabi, are documented for existing and new processes and systems.

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:

	Notes	FVTPL Birr	FVOCI Birr	Amortized cost Birr	Total Birr
<b>30 June 2023</b>					
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
<b>Total financial assets</b>		<b>-</b>	<b>-</b>	<b>36,791,555</b>	<b>36,791,555</b>

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

#### 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.





#### 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 categorize collectively for further 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**

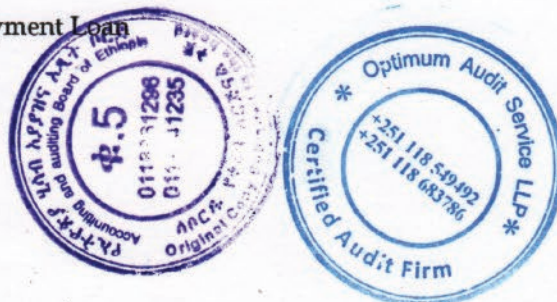
Elsabi's maximum exposure to credit risk at 30 June 2023, 30 June 2022 and 30 June 2021 respectively, is represented by the net carrying amounts in the statement of financial position.

	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
<b>Total maximum exposure</b>	<b>36,791,555</b>	<b>26,279,988</b>

**(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	-	-
	<b>37,322,060</b>	<b>-</b>
<b>Collateral amount of Asset</b>		
Individual Loan	16,922,584	-
Consumption Loan	585,186	-
Short Term Loan	16,855,416	-
Company Employment Loan	2,958,875	-
	<b>37,322,060</b>	<b>-</b>



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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	-
	<b>31,057,505</b>	<b>-</b>

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

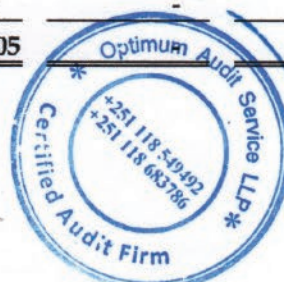
	30 June 2023	30 June 2022
	Birr	Birr
Performing	31,057,505	-
Substandard (91-	-	-
Doubtful( 181-365 Past due	-	-
Loss( More than 365 past	-	-
Interest receivable	-	-
Less impairment	-	-
	<b>31,057,505</b>	<b>-</b>

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	<b>31,057,505</b>	<b>-</b>	<b>-</b>	<b>31,057,505</b>
Less: Impairment allowance	-	-	-	-
Net	<b>31,057,505</b>	<b>-</b>	<b>-</b>	<b>31,057,505</b>





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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.

	Public Enterprise Birr	Cooperative Birr	Private Birr
<b>30 June 2023</b>			
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
	<b>5,183,737</b>	<b>-</b>	<b>31,607,818</b>

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





#### 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	-
	<b>36,736,874</b>	<b>-</b>	<b>-</b>	<b>3,357,260</b>	<b>585,186</b>

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

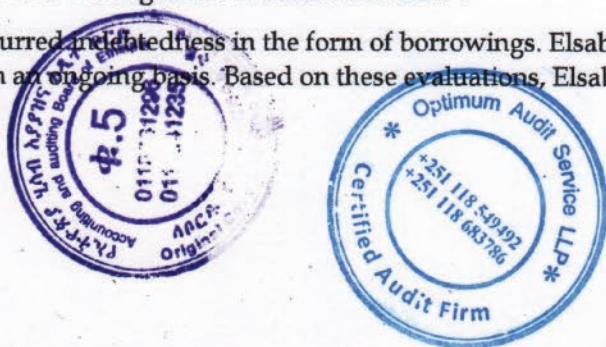
Liquidity risk is the risk that Elsabi cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that Elsabi might be unable to meet its payment obligations when they fall due as a result of mismatches in the 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	-	-	-	-	-
<b>Total financial liabilities</b>	<b>8,976,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

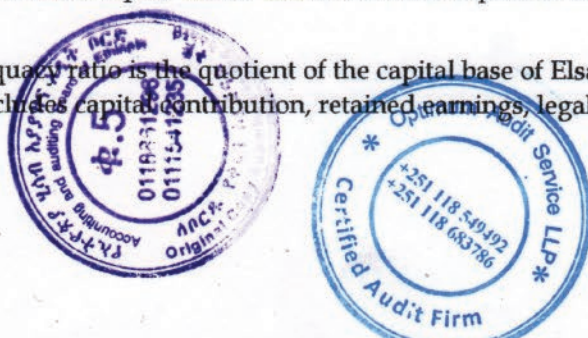
#### 4.6 Capital management

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
<b>Capital</b>		
Capital contribution	27,000,000	25,000,000
Retained earnings	1,777,445	(317,495)
Legal reserve	110,260	-
	<b>28,887,705</b>	<b>24,682,505</b>
<b>Risk weighted assets</b>		
Risk weighted balance for on-balance s.20	1,036,747	5,208,560
Credit equivalents for on balance sheet 100	33,741,193	-
	<b>34,777,941</b>	<b>5,208,560</b>
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
<b>30 June 2023</b>		
<b>Financial assets</b>		
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
<b>Total</b>	<b>36,791,555</b>	<b>36,791,555</b>
<b>Financial liabilities</b>		
Deposits from customers	8,976,002	8,976,002
Borrowings	-	-
Other liabilities	772,251	772,251
<b>Total</b>	<b>9,748,252</b>	<b>9,748,252</b>



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





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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'
<b>Fee and commission income</b>		
Loan Processing fees and Charges	1,698,360	-
Pass book fees	46,900	-
	<u>1,745,260</u>	<u>-</u>
<b>Fee and commission expense</b>	-	-
<b>Net fees and commission income</b>	<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 Birr'	30 June 2022 Birr'
<b>Short term employee benefits :</b>		
Salary and wage Expense	2,246,279	-
Allowance	430,517	-
Pension fund.expense	229,441	-
	<u>2,906,237</u>	<u>-</u>
<b>Long term employee benefits :</b>		
Pension costs - Defined benefit plans	-	-
	<u>-</u>	<u>-</u>
	<u>2,906,237</u>	<u>-</u>

**10 Other operating expenses**

	30 June 2023 Birr'	30 June 2022 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	-
<b>Total</b>	<u>1,126,845</u>	<u>353,135</u>





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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	-
<b>Gross amount</b>	<b>31,057,505</b>	<b>-</b>
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'
<b>Financial assets</b>		
Staff advance	190,564	-
Prepaid staff loan	-	-
	<b>190,564</b>	<b>-</b>
<b>Other financial assets</b>		
Prepayments	65,772	237,188
Inventory	293,977	-
Other current Asset	-	-
	<b>359,749</b>	<b>237,188</b>
Less : Impairment allowance on other assets	-	
<b>Gross amount</b>	<b>550,313</b>	<b>237,188</b>
<b>Maturity analysis</b>		
	30 June 2023 Birr'	30 June 2022 Birr'
Current	550,313	237,188
Non-Current	-	-
	<b>550,313</b>	<b>237,188</b>

**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	-
	<b>293,977</b>	<b>-</b>





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**14 Property, plant and equipment**

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

**15 Deposits from customers**

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



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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>
<b>Financial liabilities</b>		
Commercial Loan		
Current	-	-
None current	-	-
Other Long term Liabilities	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Gross amount</b>	<u>9,817,252</u>	<u>1,622,322</u>
<b>Maturity analysis</b>		
	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
<b>Authorized</b>		
100,000,ordinary shares of Birr 1,000 each	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid:</b>		
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)
<b>Adjustments for non-cash items:</b>			
Depreciation of property, plant and equipment	14	210,130	7,160
<b>Changes in working capital:</b>			
-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
<b>21a Balances with related parties</b>		
Shareholders payable - Elnet Technologies	583,322	617,822
Shareholders payable - Elesa Gudina	-	500,000
Shareholders payable - Asfer 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	-
	<b>1,618,180</b>	<b>-</b>

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	-	-
	<b>15</b>	<b>-</b>

- 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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	30 June 2023 Birr	30 June 2022 Birr
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 =  $\frac{(\text{Amount Collected during the period})}{(\text{Amount collected during the period} + \text{Amount past due} + \text{Amount written off})} \times 100\%$

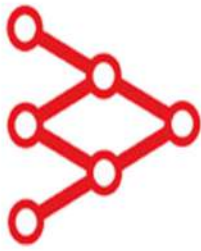
Recovery Rate =  $\frac{14,482,623}{(14,482,623 + 0 + 0)}$

Recovery Rate = 100%





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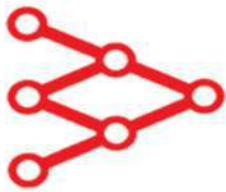
We are committed to provide agile businesses with the reputation of high quality, standard & reliable products and services to our customers with friendly environment and sustainable relationship using the state art of technology and skilled man power.



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Care  
Safety  
Integrity  
Teamwork  
Excellence  
Customer focus  
Environmentally friendly







# ELAUTO ENGINEERING AND TRADING PLC



## ABOUT US

An indigenous group of Business Companies, owned by ELNET TECHNOLOGIES GROUP, was established in 2018 with a paid-up capital of ETB 200,000,000.00. It started businesses with automotive assembly, assembling public-use vehicles that are high mileage, fuel-efficient, and suitable for the African terrain.

01

THE COMPANY IS RECOGNIZED BY OEMS FOR ITS QUALITY AND COMPETITIVELY PRICED PRODUCTS IN THE AUTOMOTIVE INDUSTRY IN AFRICA. IT HAS BEEN ENGAGED IN VARIOUS BUSINESS PORTFOLIOS, INCLUDING MANUFACTURING, EDIBLE OIL MANUFACTURING, CONSTRUCTION MATERIALS PRODUCTION, EXPORT-IMPORT, TRANSIT AND FORWARDING, REAL ESTATE DEVELOPMENT, BUILDING CONSTRUCTION (BC1), AGRO-PROCESSING, SACCO, MICROFINANCE, COLLEGE, TOUR AND TRAVEL, AFTER-SALES, AND OTHERS.

02

THE COMPANY HAS ESTABLISHED A VEHICLE ASSEMBLY FACTORY PLANT IN THE DIRE DAWA FREE TRADE ZONE AREA AND HAS ASSEMBLED AND DELIVERED TAXIYE BRANDED VEHICLES IN ADDIS ABABA AND OTHER MAJOR CITIES. SINCE 2021, ELAUTO HAS BEEN A FRONT RUNNER AMONG VEHICLE IMPORTERS AND ASSEMBLERS IN ETHIOPIA. DESPITE THE PRESENCE OF GLOBAL AND LOCAL FACTORS, THE COMPANY HAS SUCCESSFULLY DELIVERED OVER 1000 VEHICLES TO ITS VARIOUS CLIENTS.



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