



Elsabi

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Elsabi Microfinance

ANNUAL REPORT

2023/24

DIGITAL
DIVERSITY
INTEGRITY



SCAN-ME

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info@elsabi.net

www.elsabi.net

... upgrading life!

**8%
Int.**



MOBILE BANKING

ABOUT DIGITAL BANKING

Our Mobile banking has revolutionized digital banking by enabling convenient, secure, and scalable financial services to reach unbanked and underserved populations.



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OUR SHAREHOLDERS



PARTNERS


INSTITUTIONAL FRAMEWORK

VISION



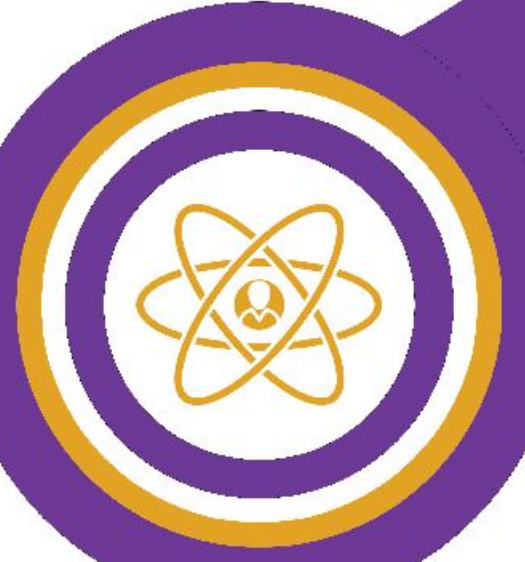
Elsabi is destined to be the leading financial service provider to the unbanked segment of society using state-of-the-art technologies in Africa.

MISSION



To provide efficient financial and related service to unbanked micro and small enterprises, farmers, women, and youth in urban and rural settings using technology and qualified staff in socially responsible ways.

OBJECTIVES



To contribute to the economic advancement of the country by providing financial services to small businesses, low-income individuals, and families.



Elsabi
FOREX BUREAU

**C
O
M
M
I
N
G**



**S
O
O
N**



**Total
Assets**



56.3M

42.66M



**Total
Capital**

**Loan
Disbursement**



97.3M

12.4M



**Saving
Mobilized**

**Outstanding
Loan balance**



44.57M

1965



**Total
Client serves**

**Profit
Register**



5.18M

MAJOR ACHIEVEMENTS

BOARD CHAIR PERSON'S MESSAGE



Mr. TOKKICHA ALEMAYEHU KETEMA
BOARD CHAIR PERSON

ON behalf of the Board of Directors and management, I'm delighted to present to you the 2023/24 Annual Report that highlights the performance of Elsabi Microfinance Institution S.co as well as the developments attained in the year 2023/24.

I am grateful to all stakeholders who made it possible for Elsabi great micro-finance institution in the country. My special appreciation goes to the management team and staff, for their hard work and sacrifices that enabled us finish the year strongly and positively.

Major Achievement

- Total Asset Increased from 38.7 million in 2023 to 56.3 Million in 2024 by 45 %.
- Outstanding Loan balance increase from 29.4 Million in 2023 to 44.6 Million in 2024 by 52%.
- Saving Outstanding Balance increase from 8.9 Million in 2023 to 12.4 Million in 2024 by 42%.

- Total Client Served increase from 856 in 2023 to 1965 in 2024 by 130%.
- Profit Increased from 2.2 million in 2023 to 5.2 million in 2024 by 136%.
- Operational self Sufficiency OSS 177%.

I also wish to thank the Board for the brilliant oversight without which, we would not be enjoying the growth and stable performance of this great institution

I would like to sincerely thank our customers for choosing Elsabi. Your feedback and association have enabled us hone our value proposition in the market, and positioned us better, to serve you.

Finally, my appreciation goes to the Government of Ethiopia, National Bank of Ethiopia and external partners for providing an enabling working environment that has seen us yet again produce an impressive performance. We look forward to even better relations in 24/25.

CHIEF EXECUTIVE OFFICER'S STATEMENT



Mr. ABIYOT URGA DADI
CHIEF EXECUTIVE OFFICER

I take this opportunity to share with you the highlights of Elsabi MFI S.co performance in 2023/24.

I appreciate all stakeholders for their efforts that enabled Elsabi to remain a going concern.

The total number of clients grew by 130% and reached 1965. The total outstanding loans reached Birr 44.6 Million surpassing preceding year's balances by Birr 15.2 million.

The total deposit reached Birr 12.4 million by achieving incremental growth of Birr 3.54 million from that of Birr 8.9 million of the preceding year. The institution total assets stood at Birr 56.3 million registering 45 % growth from the last year.

The total net profit increases from the last year and reached Birr 5.2 million which is 136 % higher than last year. The total number of branches reached 3 by the end of the fiscal year.

I 'am blessed to have the guidance and backing of people from various spectra who have set the tone from the governance perspective. I therefore take this opportunity to thank the Board of Directors, National Bank of Ethiopia, and all other stakeholders for their role in Elsabi success.

Last but not least, I would like to thank our staff for withstanding all the challenges of the year, high inflation rate and high living cost and other operational hurdles. They have never lost their hope but have diligently served Elsabi. Everywhere you see Elsabi Logo, is because our staff are resilient and hardworking. I am indeed humbled to have such a dedicated workforce and extend my love and best wishes to each and every one of them; together with their loved ones.

Most importantly, all the glory goes to GOD Almighty for his grace which is above human understanding.

The image is a cover for an annual performance report. It features a background of a person's hands pointing at various data visualizations. In the top right, there is a large purple geometric shape. In the bottom left, there is another large purple geometric shape. The background is filled with various charts and graphs, including a bar chart with a blue arrow pointing up, a line graph with a blue arrow pointing right, and a candlestick chart. There are also several circular gauges and progress bars. The text '2023/24 ANNUAL PERFORMANCE REPORT' is centered in the middle. The overall color palette is purple, blue, and gold.

2023/24 ANNUAL PERFORMANCE REPORT

79%

Sales Promotion

76%

INTRODUCTION

This is Elsa bi MFI Board annual report prepared with a view to describing the detail activities that Elsa bi Microfinance Share Company has undertaken in the fiscal year 2023/24. 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, shareholding development etc. Finally, problems and challenges faced during the year and fundamental reasons of successes are stated. The details of the report is presented here below:

PROGRAM PERFORMANCE (OPERATIONAL)

EXPANSION

In the fiscal year 2023/24 Elsa bi MFI made its operation in 3 Sub city with 3 branches', Yerer Leka, Kotebe-02 Atklt tera and Addisu Gebeya Branch, however the Company clients are from all eleven Sub city, as a region currently Elsa bi is served only in Addis Ababa.

CLIENT RECRUITMENT

Client Recruitment is one of the major task that Elsa bi carries out aggressively. In the fiscal year recruited a total number of 1965 clients, which are 1252 males and 709 females.

Table 1. Client number by gender

	Client #	Share
Male	1252	63.7%
Female	709	36.1%
Institution	4	0.2%
Total	1965	100%

VOLUME OF DISBURSEMENT AND OUTSTANDING LOAN BALANCE

Up-to-date a total of Birr 97,315,717.00 has been disbursed at Company level. Currently, the institution has an outstanding loan balance (OLB) of Birr 44,575,549.00 in the hands of clients.

Table 2. Volume of Disbursement and Outstanding Loan Balance

Sector	Loan Disbursement	OLB	Share
Trade	33,977,453	27,451,127.10	61.58%
Manufacture	50,000		0.0%
Service	49,837,729	12,890,454.00	28.92%
Other	13,450,535	4,233,969.00	9.50%
Total	97,315,717	44,575,549	100%

SAVINGS MOBILIZATION

In the fiscal year 2023/24, the Institution is able to mobilize as much as possible whose current balance is Birr 12,421,856.3, its ratio as percentage of the total Portfolio accounts 29%.

Table 3. Savings Mobilization

	Saving Balance	Share
Compulsory	7,416,104.4	59.7%
Voluntary	5,005,751.8	40.3%
Total	12,421,856.3	100%

COLLECTION/REPAYMENT

The figure at June 30, 2024 is showing us that birr 31,022,416 has been collected from customers as payments of their credit they took. The collection was broken down in to two – one is from the principal and the other is from interest. While the total actual collection was compared with collection expected, it reached 100% (Recovery rate).

FINANCIAL PERFORMANCE

TOTAL ASSETS

As at June 30, 2024, total asset of the EMFI reached Birr 56.3 million, within this total asset, net loans took the lion's share of Birr 44.5 million (79.2 percent) and Birr 6.2 Million (11%) 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.

Table 4. Total Assets

	Asset	Share
Cash	6,197,193.8	11.0%
Loan Outstanding Balance	44,575,549.8	79.22%
Fixed Asset	4,601,535.6	8.18%
Other Asset	897,414.4	1.6%
Total	56,271,693.00	100%

TOTAL LIABILITY

As at June 30,2024, Total Liability of the EMFI reached Birr 13.6 million, within this total Liability, saving took the lion's share of Birr 12.42 million (91.3 percent) and Birr 1.19 Million (8.7%) is Others. This shows that the company is in Healthy Financial Position.

Table 5. Total Liability

	Liabilities	Share
Compulsory	7,416,104.4	54.47%
Voluntary	5,005,751.8	36.76%
Other Short Term Liability	1,193,970.4	8.77%
Total	13,615,826.7	100%

CAPITAL

Elsabi MFI manages its capital to meet current and future business needs as well as regulatory requirements. The total capital in the fiscal year reached Birr 42.66 million at the end of June, 2024. The shareholders were promised to increase their paid-up capital by 50% in the fiscal year, but only Elauto Trading & Engineering P.L.C, Elnet Technology P.L.C and Taxiye Saving and credit cooperative are full fill their Promise.

REVENUE

Elsabi MFI generated a total Revenue of Birr 13.5 million during financial year 2023/24, In terms of composition, interest income took the lion's share of total Revenue (72.31 percent), followed by Loan Processing fee and commission income (18.33 percent) and other operating income (9.36 percent).

Table 6. Total Revenue

	Revenue	Share
Interest Income	9,753,003.1	72.31%
L.P or Commission	2,472,310.6	18.33%
Other Financial Revenue	1,262,590.5	9.36%
Total	13,487,904.2	100%

EXPENSES

The total expenses of the MFI stood at Birr 8.3 million by the end of June 2024, the expense structure of the MFI was dominated by personnel expenses, which accounted for 61.4 percent of the total expenses, followed by Admin expenses (26.97 percent) and Interest expenses for saving (6.1 percent). The remaining 5.8 percent of total expenses was Depreciation Expense for property.

Table 7. Total Expenses

	Expense	Share
Personnel Expense	5,095,983.00	61.37%
Other Expense	2,239,272.00	26.97%
Interest Expense	506,195.00	6.10%
Depreciation Expense	462,291.00	5.57%
Total	8,303,741.00	100%

PROFIT

Elsabi MFI registered a profit of Birr 5.2 million during a financial year 2023/24, one the major measurement of company sustainability is operational self-suffice (OSS), in the sector 143 % is the highest but we are register 162% which was a record in the history of private MFIs operating in Ethiopia. Not only that the business proposal submitted to the national bank said that the institution would make a profit in the 3rd year, but our institution is make a second year profit in we started operation.

STAFF SITUATIONS

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 4 in house training on selected key areas such as Liquidity Risk Management, Delinquency Loan Management, Customer Handling, and Resource Mobilization particularly to front line staff. In this training program Savings and Credit Officers and Branch Managers have already taken part.

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 45 number of clients have been accessed to the training programs.

STAFF DEVELOPMENT

In the fiscal year a fair number of staff as many as 19 are recruited. 9 number of staff have terminated its employment contract with the institution for several reasons and the current total staff number is 26, 50% (13 Staff are Female).

MEETINGS, DECISION & REPORT PRODUCTION

The 2nd General Assembly and 1st Extra Ordinary General Assembly of Elsabi Microfinancing Institution Share Company has been held on the year 2023/24 where major issues about external Auditor reports have been thoroughly discussed and resolutions have been passed. The annual auditing job has been carried out and document have been submitted as required to concerned parties, National Bank of Ethiopia & Association for Ethiopian Micro Finance Institutions.

Four 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. The chief items of discussions were;

- a. Approval of the Plan & Budget
- b. Quarterly reporting and discussion
- c. Staff performance
- d. Fixed Asset acquisition

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. Issued such as:

- Expansion
- Training
- Plan performance comparison and progress review

During the same year, General staff meeting was also convened and pertinent issues like

- Institutional financial and Operational status position
- Human resource

SHAREHOLDER STATUS

The subscribed capital of birr 100 Million while only 25% of each shareholder is paid for initial. The total paid-up capital of the institutions is Birr 37.358 Million with a little over the capital amount indicated in the previous year report. Since the amount of paid-up capital is too small, many of the shareholders have not converted the subscribed in to paid-up, preparation is under way to put forth pressure and penalties up on those members who have not complied with the Institutions' Memorandum and article of the Association.

OTHERS

In the Budget Year the Institution works several works

- Renew the License
- Branch License take
- All staff has been enforced to used more than half annual leave

PROBLEMS AND CHALLENGES FACED

- ✓ Lack of Loanable fund
- ✓ High inflation Rate
- ✓ Issues related with staff on benefits

COMPARISON OF PLAN TO AND ACHIEVEMENT

When the 2023/24 plan was prepared, the main source of finance was the shareholders' capital raising, but only 25 percent of the capital that was supposed to be collected in the fiscal year was collected, which is Seven million birr from the Elauto, five hundred eighty-four thousand from Elnet technology and one million birr from the Taxiye. As a result, it was difficult to go according to our plan, so the senior management concerned in advance and designed another option, at least to try get the company out of loss and make it sustainable. Our performance on operational self-sufficiency was not seen by the industry, and the proposal developed when the company was established showed that it would come to profit in the 3rd year and completely come out of the loss in the 5th year. However, with the efforts of the entire staff, we were able to achieve it in the first and second year

Parameters	Plan 2023/24	Actual June 2024	Achievement
Share Collection	35,000,000.00	8,584,000.00	25%
Disbursement	109,954,257.00	56,275,640.94	51%
Outstanding Loan Balance	72,238,290.00	44,575,549.79	62%
Saving Mobilized	15,526,383.00	12,421,856.25	80%
Active Borrowers Client	1082	1965	182%
OSS	155%	160%	103%
Total Revenue	24,848,280.00	13,487,903.61	54%
Net Profit	8,850,415.00	5,184,162.00	59%
Average Plan Achievements			77%

The background features a hand holding a glowing globe with a target icon and a bar chart. The target icon is a white arrow hitting the center of a target with concentric circles. The bar chart is a simple line graph with three bars of increasing height. The globe is a glowing sphere with a grid of latitude and longitude lines. The overall color scheme is purple and blue with white and yellow accents.

2024/25

**ANNUAL
PLAN & BUDGET**

Basic Plan Assumptions

- As usual, Elsabi will receive all the required strategic guidance & direction from the BoD' s in implementing the 2024/25 Business operation plan,
- Elsabe'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 2024/25 operation year as well,

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

Weaknesses

- 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

Growth on Major Portfolio Targets – 2024/25

Growth Targets

Targets/Objectives	Growth (%)
Client Outreach:- Elsabi's Active # of Clients' will grow by,	86%
Branches:- Elsabi will grow its Branch by ,	67%
Loan Disbursement:- The loan sales/ disbursement of the Institution will grow	240%
Gross Loan Portfolio :- The gross Loan portfolio is expected to grow by ,	223%
PAR90:- Elsabi's Portfolio at Risk will be	1.5%
Total Deposit:- Total saving will reach & grow by,	192%
Total Asset:- The total Asset of the Institution will rise by ,	196%

Growth on Major Portfolio targets -2024/25... Cont.

Growth Targets

Targets/Objectives	Growth (%)
Total Capital:- The total capital will also grow by,	159%
Net Profit:- Elsabi will achieve a net profit growth of,	244%
ROA:- Elsabi's return on Asset will grow by,	16%
ROE:- The same return on the total Equity of the Institution will attain,	23%
Operational Sustainability:- Elsabi's Operational Self- Sufficiency ratio will reach	177%
Staffs:-By the end of the projection period (June2024), Elsabi MFI total staff will grow by	54%

Major Targets/Objectives with Budget... 2024/25

Targets/Objectives	Budget Amt/ number (ETB)
Total amount of financial resources (cash) that will be mobilized from internal & external sources is estimated to reach,	212,250,946.00
Elsabi supposed to increase its active Clients (savers plus borrowers) #	3,650
The total loan disbursement will be expected to reach,	181,266,800
Total loan repayment is expected to be collected in the amt of,	86,173,124.00
Gross Loan Portfolio is expected to reach,	138,621,796

Major Targets/Objectives with Budget... 2024/25

Targets/Objectives	Budget Amt/ number (ETB)
Elsabi's total deposit is expected to attain	36,223,945.92
The Total Assets is expected to grow,	166,370,600.86
The Total capital is expected to raise by,	110,025,596.62
Elsabi will recognize a net profit ,	17,369,730.00

2024/25 Operational Targets Vs Base Year (June'2024)

Targets/Plan (June'25) Vs Base Year (June'24)

Client Outreach

Particulars	June'24	Target June'25	
	(Base)	No.	Growth (%)
Active Clients (savers plus borrowers)	1965	3650	86%
Active number of Borrowers	473	1941	310%

Targets/Plan (June'25) Vs Base Year (June'24)

Loan Portfolio Outreach

Particulars	June'24	Target June'25	
		No.	Growth (%)
Value of loans disbursed	53,390,006.00	181,266,800	240%
Number of outstanding loans	473	1941	310%
Value of outstanding loans	42,909,353.79	138,621,796	223%
PAR > 90 Days	0	1.5	15%
Average loan size	90,717	71,418	-21%

Targets/Plan (June'25) Vs Base Year (June'24)

Deposit Outreach

Particulars	June'24	Target June'25	
		Amount	Growth(%)
Total Number of Savers	1965	3650	86%
Voluntary Saving	1317	2709	106%
Compulsory Saving	648	1941	200%
Total Deposit (Outstanding) mobilized to date	12,421,856.25	36,223,945.92	192%

Targets/Plan (June'25) Vs Base Year (June'24)

Branch Outreach

Particulars	June'24	Target June'25	
		Amount	Growth (%)
No. of Branches	3	5	67%
Total	3	5	67%

2024/25 Financial Targets Vs Base Year (June'2024)

Targets/Plan (June'25) Vs Base Year (June'24)

Asset Position

Asset	June'24	June'25	
	Amt (ETB)	Amount (ETB)	G. Rate (%)
Assets performance			
Total Liabilities	13,752,180.67	56,345,004.23	310%
Total Capital	42,523,460.27	110,025,596.62	159%
TOTAL Assets	56,275,640.94	166,370,600.86	196%

Targets/Plan (June'24) Vs Base Year (June'24)

Profit/Loss Position

Particular	June '24	June'25	
	Amt (ETB)	Amt (ETB)	Growth (%)
Total Financial/Operating/Income	13,277,548	39,853,876.08	200%
Financial and Operating Expenses	8,225,793	22,484,146.00	173%
Net Operating Income (N/P)	5,051,755	17,369,730.00	244%

2024/25 Manpower Target Vs Base Year (June'2024)

Targets/Plan (June'25 Vs Base Year (June'24) ... Cont.

June '24			June'25				
No. of Staffs hired	No. of Staffs left	Bal. end of the FY	Bal. Beginning of the FY	No. of Staffs hired	No. of Staffs left	Bal. end of the FY	G. Rate (%)
19	9	26	26	20	6	40	54%

2024/25 Estimated Budget for Approval

Estimated Budget for Approval.

Expected Sources/Income	Amount	Expenditure	Total Budget Required
Repayment	86,173,124.00	Loan disbursement	181,266,800.00
Deposit - Customers	36,223,945.92	Operational Expense	22,484,146.00
Interest on current & Last year loans	39,853,876.08	Repayment 4 Loan CBE/DBE	
Share payment	50,000,000	Fixed Asset Acquisition	8,000,000.00
Loan -CBE/DBE			
Total	212,250,946.00		212,250,946.00

The background of the cover features a blurred image of a person's hands writing on a document with a pen. Overlaid on this is a semi-transparent bar chart with several vertical bars of varying heights. A network of thin white lines connects various points across the page, and a circular graphic element is visible in the upper left. The overall color palette is dominated by purple, yellow, and white. The text is centered and rendered in a bold, sans-serif font.

**PLAN
IMPLEMENTATION STRATEGY
TO ACHIEVE 2024/25**

Plan Implementation Strategies, Operation Department

Strategies for disbursing Loan Outreach

- Open 2 new Branch offices.
- Occupied branch in terms of manpower and logistics to deepen their outreach.
- Implement the appropriate policies and practices.

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



**PROBLEMS
DURING IMPLEMENTATION
& SUGGESTED SOLUTIONS**

Problems Which Might Be Encountered During Implementation

- Shortage of loanable Fund.
- Low saving mobilization performance.
- 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



2023/24
AUDIT
REPORT



ELSABI MICROFINANCE INSTITUTION SHARE COMPANY CORPORATE INFORMATION FOR THE PERIOD ENDED 30 JUNE 2024



Company registration number

MT/AA/3/0052989/2014

License number

MFI/052/2022

Directors (As of 30 June 2024)

Ato Tokkicha Alemayehu Keten	Board of Director (Chair Person)	(Appointed May 2022)
Ato Naoi Biratuu 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 Engineering 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 2024)

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, Ethiopia

Corporate office

ELSABI Microfinance Institution S. Co.
Tel. +251(0) 116 73 28 29
Email: info@elsabi.net
P.O.Box 46019
Addis Ababa, Ethiopia



Principal bankers

Commercial bank of Ethiopia
Awash bank
Dashen bank
Bank of Abyssinia
Global Bank
Anbessa bank
Cooperative Bank of Oromia
Bunna Bank
Birhan Bank



**ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 30 JUNE 2024**



The directors submit their report together with the financial statements for the period ended 30 June 2024, 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 2024 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 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Net interest income	9,246,808	3,992,641
Profit / (loss) before tax	5,184,162	2,205,200
Tax (charge) / credit	-	-
Profit / (loss) for the year	5,184,162	2,205,200
Other comprehensive profit / (loss) net of taxes	-	-
Total comprehensive profit / (loss) for the year	5,184,162	2,205,200

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 2024
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

22 August 2024



Ato Abiyot Urga

Chief Executive Officer

22 August 2024



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

Opinion

We have audited the accompanying financial statements of Elsabi Microfinance Institution Share Company which comprise the statement of financial position as of June 30, 2024 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 Microfinance Institution Share Company as of June 30, 2024 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 for 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 qualified opinion.

Responsibility of Management's 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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Annual Report 2023/24

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

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

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

We have communicated with managements 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 we identify during our audit.

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



Optimum Audit Service LLP
Chartered Certified Accountants (UK)
Authorized Auditors (Eth)
Addis Ababa, Ethiopia
August 22, 2024



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ELSABI MICROFINANCE INSTITUTION SHARE COMPANY
IFRS FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



	Notes	30 June 2024 Birr	30 June 2023 Birr
Interest income	5	9,753,003	4,148,788
Interest expense	6	(506,195)	(156,147)
Net interest income		9,246,808	3,992,641
Fee and commission income	7	2,472,310	1,745,260
Fee and commission expense	7	-	-
Net fees and commission income		2,472,310	1,745,260
Other operating income	8	1,262,590	710,512
Total operating income		12,981,707	6,448,413
Loan impairment charge		-	-
Impairment losses on other assets		-	-
Net operating income		12,981,707	6,448,413
Personnel expenses	9	5,095,983	2,906,237
Amortization of intangible assets		-	-
Depreciation of property, plant and equipment	14	462,291	210,130
Other operating expenses	10	2,239,272	1,126,845
Net operating Expense		7,797,545	4,243,213
Profit before tax		5,184,162	2,205,200
Income tax expense	24	-	-
Profit after tax		5,184,162	2,205,200
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations		-	-
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
Remeasurement gain / (loss) on AFS assets		-	-
Total comprehensive income for the period		5,184,162	2,205,200

The notes on pages 10 to 39 are an integral part of these financial statements.



**ELSABI MICROFINANCE INSTITUTION SHARE COMPANY IFRS
FINANCIAL STATEMENT
AS AT 30 JUNE 2024
STATEMENT OF FINANCIAL POSITION**



	Notes	30 June 2024 Birr	30 June 2023 Birr
ASSETS			
Cash and balances with banks	11	6,197,194	5,183,737
Loans and receivables	12	44,575,549	31,057,505
Other assets	13	897,414	550,313
Property, plant and equipment	14	4,601,536	1,913,402
TOTAL ASSETS		56,271,693	38,704,957
LIABILITIES			
Deposits from customers	15	12,421,856	8,976,002
Other liabilities	16	1,193,970	841,251
TOTAL LIABILITIES		13,615,826	9,817,252
EQUITY			
Paid-up capital	17	37,358,000	27,000,000
Retained earnings	18	4,928,399	1,777,445
Legal reserve		369,468	110,260
Total equity		42,655,867	28,887,705
Total equity and liabilities		56,271,693	38,704,957

The notes on pages 10 to 39 are an integral part of these financial statements.

The financial statements on pages 6 to 39 were approved and authorized for issue by CEO and Finance & Admin Manager were signed on its behalf by:



Ato Abiyot Urga
 Chief Executive Officer
 22 August 2024



Ato Yemaneberhan Teklay
 Finance and Admin Manger
 22 August 2024



**ELSABI MICROFINANCE INSTITUTION SHARE COMPANY IFRS
FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
STATEMENT OF CHANGE IN EQUITY**



	Paid up capital Birr	Retained earnings Birr'	Legal reserve Birr	Total Birr
As at 1 July 2022				
Initial paid up capital	25,000,000	(317,495)		24,682,505
Profit for the period		2,205,200	-	2,205,200
<i>Other comprehensive income:</i>	-			-
Transaction from retained earning				-
Additional capital in cash	2,000,000			2,000,000
Dividend provided for				-
Transfer to legal reserve		(110,260)	110,260	-
Total comprehensive income for the period	27,000,000	2,094,940	110,260	28,887,705
As at 30 June 2023	27,000,000	1,777,445	110,260	28,887,705
As at 1 July 2023	27,000,000	1,777,445	110,260	28,887,705
Profit for the period	-	5,184,162	-	5,184,162
<i>Other comprehensive income:</i>				-
Transaction from retained earning	1,774,000	(1,774,000)	-	-
Additional capital in cash	8,584,000	-	-	8,584,000
Dividend paid for	-			-
Transfer to legal reserve	-	(259,208)	259,208	-
Total comprehensive income for the period	10,358,000	3,150,954	259,208	13,768,162
As at 30 June 2024	37,358,000	4,928,399	369,468	42,655,867

The notes on pages 10 to 39 are an integral part of these financial statements.



**ELSABI MICROFINANCE INSTITUTION SHARE COMPANY IFRS
FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024
STATEMENT OF CASH FLOW**



	Notes	30 June 2024 Birr	30 June 2023 Birr
Cash flows from operating activities			
Cash generated from operations	19	(4,420,119)	(20,760,370)
Withholding tax paid		-	-
Income tax paid		-	-
Net cash (outflow)/inflow from operating activities		(4,420,119)	(20,760,370)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(3,150,424)	(2,098,693)
Proceeds from sale of property, plant and equipment		-	-
Proceed on disposal of asset held for sale		-	-
Net cash (outflow)/inflow from investing activities		(3,150,424)	(2,098,693)
Cash flows from financing activities			
Additional Capital injected in cash	17	8,584,000	2,000,000
Donated equity received on kind		-	-
Net cash (outflow)/inflow from financing activities		8,584,000	2,000,000
Net increase/(decrease) in cash and cash equivalents		1,013,457	(20,859,063)
Cash and cash equivalents at the beginning of the year	11	5,183,737	26,042,800
Cash and cash equivalents at the end of the year	11	6,197,194	5,183,737

The notes on pages 10 to 39 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

Jacros, 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 2024 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 2024 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 2024, and have not been applied in preparing these financial statements since none of these are expected to have a significant effect on the financial statements of the organization.

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and applies to comparative information.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of Financial Instruments

On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system,
- (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion,
- (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities.

These new requirements will apply from 1 January 2026, with early application permitted



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.

2.4.1 Interest and similar income and expense

For all financial instruments measured at amortized cost income or expense is recorded using the Effective Interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if Elsabi revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.



2.4.2 Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and loan process fee income are recognized as the related services are performed.

2.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. IFRS 9 set out requirement for recognition, measuring of financial instrument such as financial asset and liability and other contract to buy or sell non financial asset.

2.5.1 Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that Elsabi commits to purchase or sell the asset.

Subsequent measurement

Elsabi has applied IFRS 9 and classify its financial asset in the following measurement category:

1. Amortized cost,
2. fair value through profit and loss (FVTPL), and
3. fair value through Other Comprehensive Income (FVOCI) as per the business model option.

Amortized cost: Elsabi Measure its financial asset with amortized cost when its business model is hold to collect cash flow where the cash flow represents solely principal and interest (SPPI test). The carrying value of the asset are adjusted by any expected credit loss allowance and interest income recognized are recorded as interest income through the effective interest rate.

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

- 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.



Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 accusation that are subject to insignificant risk of change in value and are used by the entity in the management of its short term obligation. cash and cash equivalent comprises cash at bank, petty cash and revolving cash. Cash and cash at bank are carried at nominal value, which corresponds to their fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and cash at bank.



2.7 Property, plant and Equipment

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

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
Computer and accessories	4	1% of cost
Motor vehicles	10	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 (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.



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.

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 followings are the major inventors of Elsabi; 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.



Other disclosures relating to Elsabi's exposure to risks and uncertainties includes:

- Capital management Note 4.6
- Financial risk management and policies Note 4.1
- Sensitivity analyses disclosures Note 4.5.2

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.

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

	Notes	FVTPL Birr	FVOCI Birr	Amortized cost Birr	Total Birr
30 June 2024					
Cash and balances with banks	11	-	-	6,197,194	6,197,194
Loans and receivables	12	-	-	44,575,549	44,575,549
Other assets	13	-	-	897,414	897,414
Total financial assets		-	-	51,670,157	51,670,157



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

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

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 catagorize collectively for futrher analysis.

(b) Collective assessment

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

(b) Collective assessment (Contd)

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). 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 2024, 30 June 2023 and 30 June 2021 respectively, is represented by the net carrying amounts in the statement of financial position.

	30 June 2024	30 June 2023
	Birr	Birr
Cash and balances with banks	6,197,194	5,183,737
Loans and receivables	44,575,549	31,057,505
Other assets	897,414	550,313
Total maximum exposure	51,670,157	36,791,555

(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 2024	30 June 2023
	Birr	Birr
Properties(Individual loan Covered 100%)	137,270,563	37,322,060
Mandatory saving(group loan covered 10% of the loan	137,270,563	3,357,260
	274,541,126	40,679,320
Collateral amount of Asset		
Individual Loan	108,626,966	16,922,584
Consumption Loan	1,546,374	585,186
Short Term Loan	23,300,000	16,855,416
Company Employment Loan	3,797,223	2,958,875
	137,270,563	37,322,060

(c) Loans and receivables at amortized cost

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

	30 June 2024	30 June 2023
	Birr	Birr
Individual Loan	27,451,127	11,222,142
Consumption Loan	731,931	427,905
Short Term Loan	12,890,454	16,567,343
Company Employment Loan	3,502,038	2,840,115
	44,575,549	31,057,505



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

	30 June 2024	30 June 2023
	Birr	Birr
Performing	44,575,549	31,057,505
Substandard (91-180 past due	-	-
Doubtful(181-365 Past due	-	-
Loss(More than 365 past	-	-
Interest receivable	-	-
Less impairment	-	-
	44,575,549	31,057,505

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

Management is confident in its ability to continue to control and effectively manage the credit risk exposure in Elsabi's loan and advances portfolio.

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 2024				
Individual Loan	27,451,127	-	-	27,451,126.71
Consumption Loan	731,931	-	-	731,930.64
Short Term Loan	12,890,454	-	-	12,890,454
Company Employment Loan	3,502,038	-	-	3,502,038
	44,575,549	-	-	44,575,549
Gross				
Less: Impairment allowance (note 16)	-	-	-	-
Net	44,575,549	-	-	44,575,549
Net	-	-	-	-



(b) Allowance for impairment

	30 June 2024 Birr	30 June 2023 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 2024, 30 June 2023 and 30 June 2022. Elsabi concentrates all its financial assets in Ethiopia.

	Public Enterprise	Cooperative	Private
	Birr	Birr	Birr
30 June 2024			
Cash and balances with banks	6,197,194	-	-
Loans and receivables	-	-	44,575,549
Investment securities:	-	-	-
- Available for sale	-	-	-
- Loans and receivables	-	-	-
Other assets	-	-	897,414
	6,197,194	-	45,472,964

	Public Enterprise	Cooperative	Private
	Birr	Birr	Birr
30 June 2023			
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
	5,183,737.09	-	31,607,818



4.3.6 Nature of security in respect of loans and receivables

30 June 2024	Secured against Fixed asset Birr	Group Cash guarantees Birr	Equitable Mortgage Birr	Compulsory Saving Birr	Others Birr
Individual Loan	108,626,966	-	-	5,608,463	-
Consumption Loan	-	-	-	134,290	1,546,374
Short Term Loan	23,300,000	-	-	1,241,616	-
Company Employment Loan	-	-	-	431,736	3,797,223
	131,926,966	-	-	7,416,104	5,343,597

the institution have 3 types of compulsory saving those are pre loan (5% of gross loan), upfront (10% 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

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.



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 2024	0 - 30 days Birr	31 - 90 days Birr	91 - 180 days Birr	181 - 365 days Birr	Over 1 year Birr
Deposits from customers	12,421,856		-		-
Commercial Borrowings	-	-	-	-	-
Severance pay	-	-	-	-	-
Other liabilities	1,193,970	-	-	-	-
Total financial liabilities	13,615,826	-	-	-	-

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.



30 June 2024	Fixed Birr	Flo ating Birr	Non-interest bearing Birr	Total Birr
Assets				
Cash and balances with banks	3,798		6,193,396	6,197,194
Loans	44,575,549			44,575,549
Total	44,579,347	-	6,193,396	50,772,743
Liabilities				
Deposits from customers	12,421,856			12,421,856
Other liabilities	-		1,193,970	1,193,970
Borrowing	-	-		-
Total	12,421,856	-	1,193,970	13,615,826
30 June 2023	Fixed Birr	Flo ating Birr	Non- interest bearing Birr	Total Birr
Assets				
Cash and balances with banks	32,855		5,150,882	5,183,737
Loans and receivables	31,057,505		-	31,057,505
Total	31,090,360	-	5,150,882	36,241,242
Liabilities				
Deposits from customers	8,976,002			8,976,002
Other liabilities	-		841,251	841,251
Borrowing	-	-	-	-
Total	8,976,002	-	841,251	9,817,252

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 it's risk weighted asset base. Capital includes capital contribution, retained earnings, legal reserve and Donated equity .



	30 June 2024	30 June 2023
	Birr	Birr
Capital		
Capital contribution	37,358,000	27,000,000
Retained earnings	4,928,399	369,468
Legal reserve	359,200	110,260
	42,645,599	27,479,728
Risk weighted assets		
Risk weighted balance for on-balance s 20	1,239,439	1,036,747
Credit equivalents for on balance sheet 100	50,074,499	33,741,193
	51,313,938	34,777,941
Risk-weighted Capital Adequacy Ratio (CAR)	83%	79%
Minimum required	12%	12%
capital		
Excess	71%	67%

4.7 Fair value of financial assets and liabilities

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

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

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

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

	Carrying amount	Fair value
	Birr	Birr
30 June 2024		
Financial assets		
Cash and balances with banks	6,197,194	6,197,194
Loans and receivables	44,575,549	44,575,549
Other asset	897,414	897,414
Property, plant and equipment	-	-
Total	51,670,157	51,670,157
Financial liabilities		
Deposits from customers	12,421,856	12,421,856
Other liabilities	1,193,970	1,399,324
Total	13,615,826	13,821,181



	Carrying amount	Fair value
	Birr	Birr
30 June 2023		
Financial assets		
Cash and balances with banks	5,183,737	5,183,737
Loans and receivables	31,057,505	31,057,505
Other asset	550,313	550,313
Property, plant and equipment	-	-
Total	36,791,555	36,791,555
Financial liabilities		
Deposits from customers	8,976,002	8,976,002
Borrowings	-	-
Other liabilities	841,251	841,251
Total	9,817,252	9,817,252



5 INTEREST INCOME

	30 June 2024	30 June 2023
	Birr	Birr'
Individual Loan	4,112,355	1,074,376
Consumption Loan	92,997	20,587
Short Term Loan	4,470,954	2,480,902
Company Employment Loan	1,069,341	569,918
Interest Income on Bank Deposits	7,357	3,005
	<u>9,753,003</u>	<u>4,148,788</u>

6 INTEREST EXPENSE

	30 June 2024	30 June 2023
	Birr'	Birr'
Interest on customer savings- Mandatory Savings	314,267	78,313
Interest on customer savings- Voluntary/Demand Savings	191,929	77,834
Interest on customer savings- Time Deposit	-	-
Interest on Commercial borrowing	-	-
	<u>506,195</u>	<u>156,147</u>

7 NET FEES AND COMMISSION INCOME

	30 June 2024	30 June 2023
	Birr'	Birr'
Fee and commission income		
Loan Processing fees and Charges	2,439,210	1,698,360
Pass book fees	33,100	46,900
	<u>2,472,310</u>	<u>1,745,260</u>
Fee and commission expense	-	-
Net fees and commission income	<u>2,472,310</u>	<u>1,745,260</u>

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

8 OTHER INCOME

	30 June 2024	30 June 2023
	Birr'	Birr'
Insurance Income	372,355	558,489
Penalty Charges	885,236	97,023
Other non-operating Income	5,000	55,000
	<u>1,262,590</u>	<u>710,512</u>



**ELSABI MICROFINANCE INSTITUTION SHARE COMPANY CORPORATE
INFORMATION
FOR THE YEAR ENDED 30 JUNE 2024
NOTES TO THE FINANCIAL STATEMENTS**



9 PERSONNEL EXPENSE

		<u>30 June 2024</u> Birr'	<u>30 June 2023</u> Birr'
Short term employee benefits :	Bunna Bank		
	Birhan Bank		
Salary and wage Expense		4,008,644	2,246,279
Allowance		651,511	430,517
Pension fund expense		435,828	229,441
		<u>5,095,983</u>	<u>2,906,237</u>

10 OTHER OPERATING EXPENSE

		<u>30 June 2024</u> Birr'	<u>30 June 2023</u> Birr'
Training		46,227	8,448
Medical Expense		55,631	34,067
Insurance Expense		58,959	3,216
Bank Charges		10,652	14,171
Audit Fee Expense		69,000	69,000
Registration Fee Expense		102,371	43,722
Membership Fee Expense		46,278	10,000
Contribution Fee Expense		-	10,000
Perdiem and accomodation		9,195	57,875
Transport Expense		53,109	28,847
Fuel and Lubricants Expense		5,620	-
Office Rent Expense		947,979	261,916
Office Supplies and stationery		446,777	222,899
Advertisement Expense		76,220	68,861
Cleaning Material Expense		13,162	19,260
Vehicle Maintenance Expense		27,300	-
Car Rent		-	57,834
Utilities Expense		13,570	6,566
Communication Expenses		142,383	91,509
Labor Cost		30,870	40,900
Fine and Fee		-	2,031
Car Rent		-	10,900
Provision for Bad debts		21,139	-
Miscellaneous Expense		62,829	64,823
Total		<u>2,239,272</u>	<u>1,126,845</u>



11 CASH AND BALANCES WITH BANKS

	30 June 2024	30 June 2023
	<u>Birr'</u>	<u>Birr'</u>
Cash in hand	-	-
Cash at Bank	6,197,194	5,183,737
	<u>6,197,194</u>	<u>5,183,737</u>

Maturity analysis

	30 June 2024	30 June 2023
	<u>Birr'000</u>	<u>Birr'000</u>
Current	6,197,194	5,183,737
Non-Current	-	-
	<u>6,197,194</u>	<u>5,183,737</u>

Cash and cash equivalents in the statement of cash flows are the same as on the statement of financial position.

12 LOANS AND RECEIVABLES

	30 June 2024	30 June 2023
	<u>Birr'</u>	<u>Birr'</u>
Individual Loan	27,451,127	11,222,142
Consumption Loan	731,931	427,905
Short Term Loan	12,890,454	16,567,343
Company Employment Loan	3,502,038	2,840,115
Gross amount	<u>44,575,549</u>	<u>31,057,505</u>
Less: Impairment allowance (note 16a)	-	-
Specific impairment	-	-
Collective impairment	-	-
	<u>44,575,549</u>	<u>31,057,505</u>



13 OTHER ASSETS

	30 June 2024 Birr'	30 June 2023 Birr'
Financial assets		
Staff advance	370,526	190,564
	370,526	190,564
Other financial assets		
Prepayments	84,051	65,772
Inventory	442,838	293,977
Other current Asset	-	-
	526,889	359,749
Less : I		
mpairment allowance on other assets	-	-
Gross amount	897,414	550,313

Maturity analysis

	30 June 2024 Birr'	30 June 2023 Birr'
Current	897,414	550,313
Non-Current	-	-
	897,414	550,313



13a INVENTORY

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

	30 June 2024 Birr'	30 June 2023 Birr'
Office Supply	116,924	18,147
Pads & Printing	309,383	255,830
T- shirt	16,530	20,000
	442,838	293,977



14 PROPERTY, PLANT AND EQUIPMENT

	Computer and Equipment Birr	Furniture and fittings Birr	Motor vehicles Birr	Total Bir
Cost:				
As at 1 July 2022	32,000	-	-	160,000
Additions	796,700	1,301,993	-	2,098,693
Reclassifications	-	-	-	-
Disposals	-	-	-	-
As at 30 June 2023	<u>828,700</u>	<u>1,301,993</u>	-	<u>10,653,465</u>
As at 1 July 2023	828,700	1,301,993	-	10,653,465
Additions	235,450	564,974	2,350,000	3,150,424
Disposals	-	-	-	-
Reclassification	-	-	-	-
As at 30 June 2024	<u>1,064,150</u>	<u>1,866,967</u>	<u>2,350,000</u>	<u>26,405,586</u>
Accumulated depreciation				
As at 1 July 2022	7,160	-	-	35,802
Charge for the year	137,186	72,944	-	1,050,652
Reclassifications	-	-	-	-
Disposals	-	-	-	-
As at 30 June 2022	<u>144,347</u>	<u>72,944</u>	-	<u>1,086,454</u>
As at 1 July 2023	137,186	72,944	-	1,050,652
Charge for the year	233,997	150,744	77,550	2,311,454
Reclassification	-	-	-	-
As at 30 June 2023	<u>378,343</u>	<u>223,688</u>	<u>77,550</u>	<u>3,397,908</u>
Net book value				
As at 30 June 2023	<u>684,353</u>	<u>1,229,049</u>	-	<u>1,913,402</u>
As at 30 June 2024	<u>685,807</u>	<u>1,643,279</u>	<u>2,272,450</u>	<u>4,601,536</u>



15 DEPOSITS FROM CUSTOMERS

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Mandatory Savings	7,416,104	3,357,260
Voluntary/Demand Savings	5,005,752	5,618,742
	<u>12,421,856</u>	<u>8,976,002</u>

16 OTHER LIABILITIES

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Other liabilities		
Insurance Payable	897,471	-
Accrued Payable	60,314	107,831
Audit fee	69,000	-
Other current Liabilities	-	583,322
Tax Payables	98,113.30	73,055
Pension Payble	69,071	77,043
CORDIAD Account	-	-
	<u>1,193,970</u>	<u>841,251</u>

Financial liabilities

Commercial Loan

Current

None current

Other Long term Liabilities

Gross amount

Maturity analysis

Current

Non-Current

-	-
-	-
-	-
-	-
<u>13,615,826</u>	<u>9,817,252</u>

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Current	13,615,826	9,817,252
Non-Current	-	-
	<u>13,615,826</u>	<u>9,817,252</u>



17 PAID UP CAPITAL

	30 June 2024 Birr	30 June 2023 Birr
Opening paid up capital	27,000,000	25,000,000
Transferred from Retained earnings	1,774,000	
Additional capital injected in cash	8,584,000	2,000,000
Donated Equity	-	-
	<u>37,358,000</u>	<u>27,000,000</u>

18 RETAINED EARNING

	30 June 2024 Birr'	30 June 2023 Birr
At the beginning of the year	1,777,445	(317,495)
Transfer to Paid up capital	(1,774,000)	-
Profit/ (Loss) for the year	5,184,162	2,205,200
Reversal of excess legal reserve	-	-
Transfer to legal reserve	(259,208)	(110,260)
At the end of the year	<u>4,928,399</u>	<u>1,777,445</u>

19 CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	30 June 2024 Birr	30 June 2023 Birr
Profit before tax		5,184,162	2,205,200
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	14	462,291	210,130
Changes in working capital:			
Decrease/ (Increase) in loans and advances to cus	9	(13,518,044)	(31,057,505)
Decrease/ (Increase) in other assets	13	(347,101)	(313,126)
Increase/ (Decrease) in other liabilities	16	352,719	(781,071)
Increase/ (Decrease) in deposits from customers	15	3,445,854	8,976,002
		<u>(4,420,119)</u>	<u>(20,760,370)</u>

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



20 RELATED PARTY TRANSACTIONS

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

20a Transactions with related parties

	30 June 2024	30 June 2023
	Birr	Birr
Staff advance disbursed to : Chief Executive Officer	-	-
Shareholders payable - Elnet Technologies	-	583,322
	<u>-</u>	<u>583,322</u>

20b Key management compensation

Key management has been determined to be the members of the Board of Directors and CEO 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 2024

	30 June 2024	30 June 2023
	Birr	Birr
Salaries and other short-term employee benefits - CEO and Dep't managers	2,143,153.00	1,472,214.00
Post-employment benefits	-	-
Representation Allowance (CEO & Dep't managers)	120,000	72,000
Board allowance	-	-
Other expenses (Pension Contribution)	203,873	73,966
	<u>2,467,026</u>	<u>1,618,180</u>

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

21 DEPARTMENT MANAGERS AND EMPLOYEES

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

	30 June 2024	30 June 2023
	Number	Number
Professionals and High Level Supervisors	2	2
Semi-professional, Administrative and Clerical	23	13
Technician and Skilled	-	-
	<u>25</u>	<u>15</u>

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



	30 June 2024 Birr	30 June 2023 Birr
2,500-10,000	13	6
10,001-20,000	8	7
20,001 - 40,000	3	2
Above 40,000	2	1
	<u>26</u>	<u>16</u>

22 EVENTS AFTER THE REPORTING PERIOD

In the opinion of the Management, there were no events in Elsabi as at 30 June 2024 on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

23 RECOVERY RATE

	30 June 2024 Birr	30 June 2023 Birr
Loan Outstanding 30 June 2023	29,443,088	-
Disbursement during the year	53,390,006	43,925,711
Loan Outstanding 30 June 2024	(42,909,354)	(29,443,088)
Total Collection	<u>39,923,741</u>	<u>14,482,623</u>
Write off 30 June 2024	-	-
Principal Past due	-	-
Total Principal Past due	-	-
Recovery Rate	<u>100%</u>	<u>100%</u>

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

Recovery Rate = $\frac{39,923,741}{(39,923,741 + 0 + 0)}$

Recovery Rate = 100%



24 TAXES

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.



2023/24 ANNUAL GENERAL STAFF MEETING



2023/24 ANNUAL REPORT PRESENTATION BY SENIOR MANAGERMENTS

Mr. ABIYOT URG A DADI
CHIEF EXECUTIVE OFFICER



Mr. YEMANE BIRHAN TEKLAY
FINANCE & ADMINISTRATION



Mr. FIKIRE HUNDUMA DELE
OPERATION MANAGER



2023/24 ANNUAL REPORT PRESENTATION BY BRANCH OFFICE , INTERNAL AUDIT, & MIS



BEST PERFORMER OF THE YEAR 2023/24 AWARDS & RECOGNITION



STAFF GROUP PHOTOS WITH MANAGERMENTS



 **Elsabi** ኤልሳቢ አኒስተኛ የፋይናንስ ተቋም አ/ማ
Elsabi Microfinance Institution S.C

**2023/24 ANNUAL
GENERAL STAFF MEETING**

Nexus Hotel
August 24, 2024



STAFF TRAINING AND CAPACITY BUILDING BY SENIOR MANAGERMENTS



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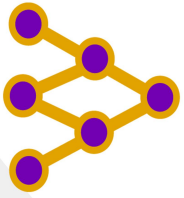
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