

MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-
UNDER FORMATION

INDEPENDENT AUDITORS' REPORT AND ACCOUNTS
FOR THE YEAR END 30, JUNE 2023

Yonas Fekede Certified Auditor (ETH) Chartered Certified Accountant (UK)



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MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
REPORTS AND ANNUAL FINANCIAL STATEMENTS
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FOR THE YEAR END 30, JUNE 2023

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**MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
REPORTS AND ANNUAL FINANCIAL STATEMENTS
MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR END 30, JUNE 2023**

General Information

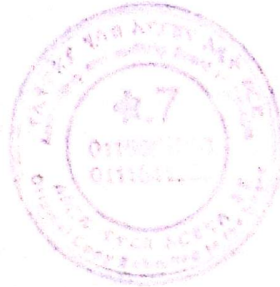
Tax identification Number(TIN) 0076633781

Executive management (as of 09 March 2023)

Name	Position	Appointed on
Ato Gossa Ashene	Project manager	October 11, 2020
Ato Gashahun W/Michael	Project coordinator	July 7, 2022

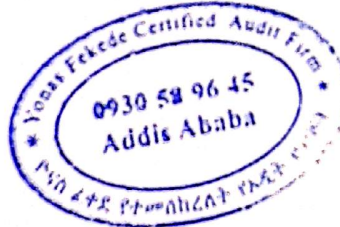
Organizer name as of March 09 2023

Abera Misganaw
Aschalwe Tilahun
Daniel Tesfaye
Eden Habtu
Zerihun Getaneh
Dadi Weyfen
Bisrat Getachew
Getnet Haile
Demsew Chala
Wendmiraw Niguse
Helen Adane
Anduamlak Yibletal



Principal Bankers

Commercial Bank of Ethiopia
Dashen Bank S.C.
Bank of Abyssinia S.C
Awash Bank S.C.



Independent Auditor

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MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR END 30, JUNE 2023

Statement of Management Responsibility

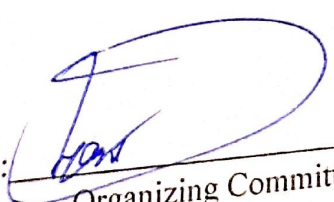
In accordance with the Proclamation No. 847/2014, 'Financial Reporting Proclamation', the Accounting and Auditing Board of Ethiopia (AABE) has made a mandatory requirement for Public Interest Entities (PIE) to prepare their financial statements in compliance with International Financial Reporting Standards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

The Commercial Code of Ethiopia 1243/2021 also requires Management to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year.

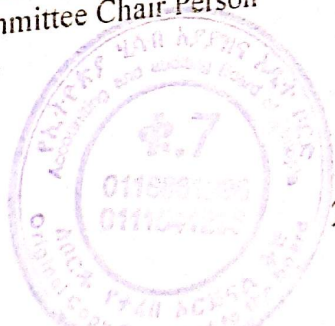
The Management of the company is also responsibilities to:

- 1 Select and apply accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 2 Management is responsible to keep records that may be relied upon and to design, implement and maintain such internal control to enable the preparation of financial statements that are free from material omissions or misstatement, whether due to fraud or error.
- 3 The management of the company certify that, to the best of their knowledge, the financial report comply with IFRS in that it involves a fair presentation of the effects of transactions, other events and conditions in accordance with the definitions, recognition, presentation and disclosure requirements.
- 4 Nothing has come to the attention of management to indicate that the company will not remain a going concern for at least twelve months from the date of this statement. At the end of reporting period, management has assessed whether there is any indication that an asset may be have been impaired and confirmed that no any such indication exists.

The financial statements, as indicated, were approved by the Management on October 22, 2024 and were signed on its behalf by:

Signature: 
Organizing Committee Chair Person
Daniel Tesfaye

Signature: 
Project Manager
Gossa Ashene



INDEPENDENT AUDITOR'S REPORT SHAREHOLDERS OF MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION

Unqualified opinion

We have audited the accompanying financial statements of Meba Micro finance Institution S.C., set out on pages 5 to 33, which comprise the statement of financial position as at 30 June 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Basis of Opinion

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

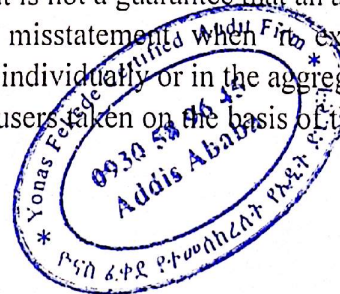
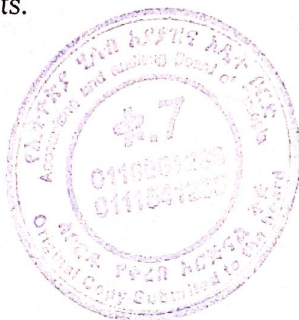
Managements' Responsibility for the Financial Statements

The Company's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia 1243/2021 and for such internal controls as management determine 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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



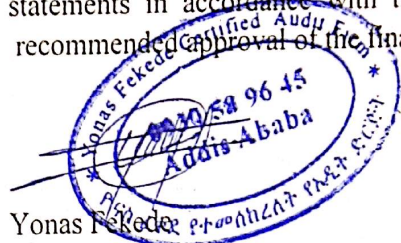
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 bases for our opinion. The risk 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 disclosures made by the management.
- Conclude on the appropriateness of the management use of the going concern basis of accounting and based on the audit evidence obtained, whether a materials uncertainty exist 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 exist, we are required draw attention in our auditors' report to related disclosure in the financial or, if such disclosure inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reports on other legal and Regulatory Requirement

We have no comment to make on the report of the Board of Directors so far as it relates to these financial statements in accordance with the Commercial Code of Ethiopia 1243/2021 Article 34/ (1 and 2), recommended approval of the financial statement.



Yonas Fekede
Certified Auditor (ETH)
Chartered Certified Accountants (UK)



Addis Ababa
October 19, 2024



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

Currency: Ethiopian Birr

	<u>Note</u>	
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	5	23,873
		<u>23,873</u>
CURRENT ASSETS		
Deposit on block account	6	12,644,610
Sundry receivable		10,125
Cash and cash equivalents	7	359,243
TOTAL CURRENT ASSETS		<u>13,013,979</u>
TOTAL ASSETS		<u>13,037,852</u>
EQUITY AND LIABILITIES		
EQUITY		
Paid up capital	8	12,055,000
Legal Reserve		665
Retained earning	9	(150,461)
		<u>11,905,204</u>
NON-CURRENT LIABILITIES		
Retirement benefit obligations	10	-
		<u>-</u>
CURRENT LIABILITIES		
Account payable		472,950
Other liabilities	11	656,634
Tax payables	12	3,065
TOTAL CURRENT LIABILITIES		<u>1,132,649</u>
TOTAL LIABILITIES		<u>1,132,649</u>
TOTAL EQUITY AND LIABILITIES		<u>13,037,852</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

	<u>Note</u>	
REVENUE		
Service charge	5.1	664,035
Interest and Other income	5.2	<u>25,000</u>
		689,035
GENERAL AND ADMINISRTAIVE EXPENSE	6	<u>675,729</u>
PROFIT BEFORE TAX		13,306
PROVISION FOR TAXATION		<u>-</u>
PROFIT AFTER TAX		13,306
OTHER COMPREHENSIVE INCOME		<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>13,306</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR END 30, JUNE 2023

	<u>Paid up capital</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
FOR THE YEAR END 9 MARCH 2023	4,767,000	-	(163,102)	4,603,898
Additional Investment	7,288,000			7,288,000
Profit for the year	-	-	13,306	13,306
Transferred to legal Reserve	-	665.30	(665)	-
Prior year adjustment	-	-	-	-
BALANCE AS AT 30 JUNE 2023	12,055,000	665	(150,461)	11,905,204



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF CASH FLOW
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

Cash flows from operating activities		
Cash flows from operating activities		13,306
Depreciation	7,490	
Increased (decrease) in deposit	(8,926,610)	
Increased (decrease) in Sundry receivable	1,193,500	
Increased (decrease) in other payables	971,071	
		<u>(6,754,549)</u>
Net cash (outflow)/inflow from operating activities		<u>(6,741,243)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-	
Purchases of investment securities	-	
Net cash (outflow)/inflow from investing activities		<u>-</u>
Cash flows from financing activities		
Issuance of Shares	<u>7,288,000</u>	
Net cash (outflow)/inflow from financing activities		<u>7,288,000</u>
Net increase/(decrease) in cash and cash equivalents		<u>546,757</u>
Cash and cash equivalents at the beginning of the year		<u>(187,513)</u>
Cash and cash equivalents at the end of the year		<u>359,244</u>
Cash and cash equivalents		<u>359,243</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

1 General information

Meba Microfinance Institution Share Company has been under formation since October 28, 2021, to be registered as a non-banking financial institution as per the Microfinance Business Proclamation 626/2009 and the requirement set by National Bank of Ethiopia. Currently, the bank has a subscribed and paid up capital of 17,991,000 and 12,055,000, respectively.

1.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company is principally engaged in the provision of diverse range of financial products and services to low income and poor target clients.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

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

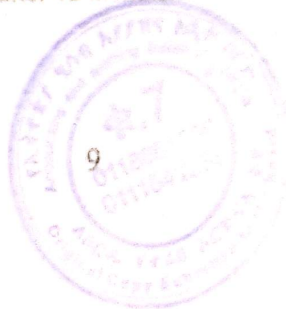
The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and its results fairly.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept and fair value as laid out in the following sections.

2.2.1 Going concern

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



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

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 the Company operates ('the functional currency'). The functional currency and presentation currency of the Company 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 the Bank company's functional currency are recognised in profit or loss within other (loss) / income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.4 Recognition of income and expenses

The Company, earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture, personal loans etc. The interest income, which is under IFRS 9 is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a) Purchased or Originated Credit Impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

b) Financial assets that are not Purchased or Originated Credit Impaired but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision)

In addition, the institution earns a fees and commission income, investment income and other income. These incomes are under the scope of IFRS 15. These incomes are recognized at a point in time when the institution is entitled for the transfer of services.

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 commission income are recognized as the related services are performed.

Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

Investment income is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.

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.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

2.5.1 Financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Institution have financial assets categorized as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loan receivables which is presented as a separate line item.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:

a) Financial Assets at Amortized Cost

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 amortised cost using the effective interest rate (EIR) method, less impairment. Amortised 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 amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement as loan impairment charge.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

The Company's cash and cash equivalents, loans and receivables that comprise of Agriculture loans, construction loans, Trade loans, Service Loans, Consumer loans, Asset Loan, Staff loans and Other Loan and bonds.

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

b) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

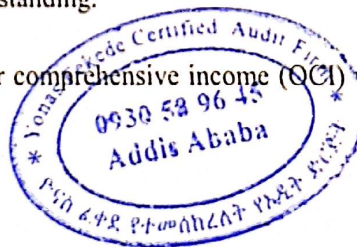
The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the any equity investment at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

'Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of this requirement included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

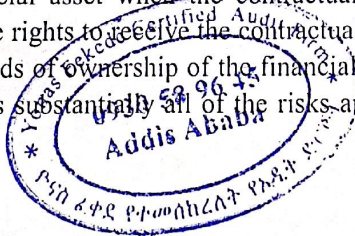
Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Refer to Note 4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Meba Micro finance Institute measures other financial assets such as staff and sundary debtors at amortized cost method as pre the principles prescribed under IFRS 9. The other financial assets shall be presented in the statement of financial position net of any associated allowance for impairment. Allowance for impairment shall be recognized based on a simplified approach where by a provision matrix will be applied on long outstanding receivable amounts

Derecognition of financial assets

The Institution derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Institution neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
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Currency: Ethiopian Birr

.On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Institution enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale—and—repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Institution retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Institution neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Institution continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.5.2 Financial liabilities

The Institution's holding in financial liabilities represents mainly deposits from customers, long term liabilities and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the institution designated a financial liability at fair value through profit or loss. All of the institution's financial liabilities are measured at amortized cost. The institution measure other financial liabilities at amortized cost that includes such items as, taxes payable, pension payable, accruals, unearned revenue and retention payable

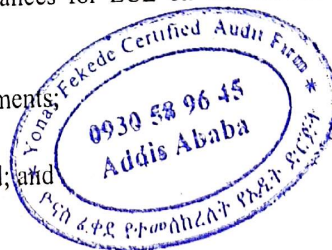
Derecognition Financial Liabilities

The Institution derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.6 Impairment Policy

The Institution recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

The Institution measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Institution considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Institution does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Institution expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Institution if the commitment is drawn down and the cash flows that the Institution expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Institution expects to recover.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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At each reporting date, the Institution assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Institution on terms that the Institution would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

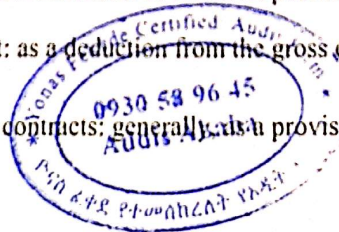
A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Institution considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

— Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally as a provision;



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— where a financial instrument includes both a drawn and an undrawn component, and the Institution cannot identify the ECL on the loan commitment component separately from those on the drawn component; the Institution presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Institution determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

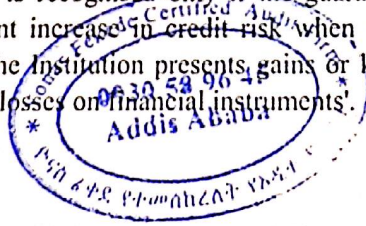
Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Institution's procedures for recovery of amounts due.

The Institution assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Institution considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's Bank.

If the Institution determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Institution considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Institution determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Institution presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.



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The Institution considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, the Institution considered the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfil the required criteria.

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held to—maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified. In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance. Loans that were subject to a collective IBNR provision were not considered impaired.



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— For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

— For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in OCI.

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

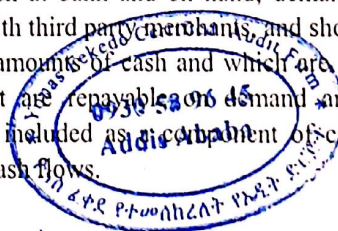
The Institution write-off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Institution Credit determined that there was no realistic prospect of recovery.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, demand deposits with third party merchants, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the institution's cash management are also included as a component of cash and cash equivalents for the purpose of the institution's statement of cash flows.



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2.8 Property, plant and equipment

2.8.1 Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets including for self-constructed assets, the cost of materials, direct labor, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Construction in progress is transferred to other property, plant and equipment when it is ready for its intended use. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2.8.2 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment and investment property, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Asset Class	Useful life (years)	Residual Value
Building	50-30	0.02
Motor Vehicle	20	0.02
Furniture and Fittings	20	1%
Computer equipment and accessories	18	1%
Generator	8	1%
Other PPE	20	1%

2.9 Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.



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2.10 Other Assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Institution's other receivables are receivables from debtors.

2.11 Leased assets

Most of the institution's leases are operating leases which do not transfer substantially all the risks and rewards of ownership to the institution. Payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covering the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2.12 Employee benefits

The Company's only post-employment schemes is defined contribution pension plans.

(a) Short-term Employment benefits (Wages, salaries,bonus and allowances

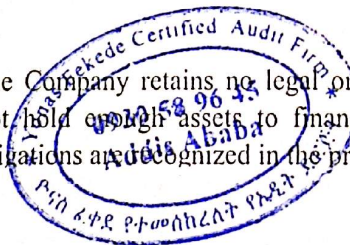
Short-term employee benefits such as Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

(b) Post-Employment Benefit(Defined contribution plan-Pension)

The Company operates one defined contribution plan;

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 the Company respectively;

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.



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Other long-term benefits such as severance expenses are recognized using the projected unit credit model. The assumptions are disclosed under note no. 26.1. Termination benefits are recognized when incurred.

2.14 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions note 4.6.1.
- Quantitative disclosures of fair value measurement hierarchy note 4.6.2.
- Financial instruments (including those carried at amortized cost) note 4.6.2.

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

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

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

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

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

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

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

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2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.16 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

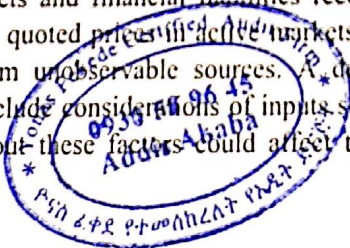
3.1 Estimates and assumptions

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.

The Company 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 the Company. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from observable sources. A degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

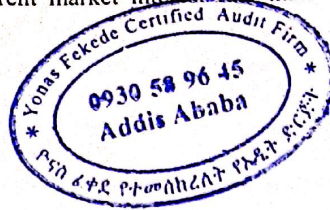


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Fair value estimation (Judgement)

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.



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4 Financial risk management

4.1 Introduction

4.1.1 Risk measurement and reporting systems

The Company's risks are measured using methods that reflect 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 model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment

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

4.1.2 Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigants, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigants 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 reviewed as part of the review process.

4.2 Financial risk

Financial instruments by category

The Company's financial assets are classified into the following categories: at amortized cost, at fair value through P&L and at FV through OCI and the financial liabilities are classified into other liabilities at amortized cost. Financial instruments are classified in the statement of financial position in accordance with their legal form and substance. The Company's classification of its financial assets is summarized in the table below:

	<u>At fair value through profit or loss</u>	<u>At amortized cost</u>	<u>Total</u>
30-Jun-23			
Cash and balances with banks	-	13,003,854	13,003,854
Trade receivables	-	-	-
Other receivables excluding prepayments	-	-	-
Total financial assets	-	13,003,854	13,003,854

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	Notes	At fair value through profit or loss	At amortized cost	Total
9-Mar-23				
Cash and balances with banks	6	-	3,530,487	3,530,487
Trade receivables		-	-	-
Other receivables excluding prepayments		-	-	-
Total financial assets		-	3,530,487	3,530,487

4.3 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk is trade receivables.

4.3.1 Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved executive management.

The table below show the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is show gross before the effect of mitigation:

	2023
Cash and balances with banks	13,003,854
Trade receivables	-
Other receivables excluding prepayments	-
	13,003,854

4.3.3 Credit concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 9 March 2023 and 30 June 2023. The Company concentrates all its financial assets in Ethiopia.

	Public	Private	Total
30-Jun-23			
Cash and balances with banks	-	13,003,854	13,003,854
Investment securities:			
- Financial assets measured at FVP	-	-	-
- Financial assets measured at amortized cost	-	-	-
	-	13,003,854	13,003,854



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9-Mar-23

Cash and balances with banks

3,530,487

3,530,487

Investment securities:

- Financial assets measured at FVPL

- Financial assets measured at amortized cost

3,530,487

3,530,487

4.4 Capital management

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are :

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to allocate capital efficiently to support growth;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products commensurately with the level of risk

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

4.5 Fair value of financial assets and liabilities

4.5.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) .This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	30 June 2023		9 March 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	ETB	ETB	ETB	ETB
Financial assets				
Cash and balances with banks	13,003,854	13,003,854	3,530,487	3,530,487
Investment securities:				
Trade receivables	-	-	-	-
Other receivables excluding prepayments	10,125	10,125	1,203,625	1,203,625
Total	13,013,979	13,013,979	4,734,112	4,734,112
Financial liabilities				
Trade payables	472,950	472,950	-	-
Bank overdraft	-	-	-	-
Other liabilities	656,634	656,634	175,175	175,175
Total	1,129,584	1,129,584	175,175	175,175

4.5.2 Fair value methods and assumptions

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.5.3 Valuation technique using significant unobservable inputs – Level 3

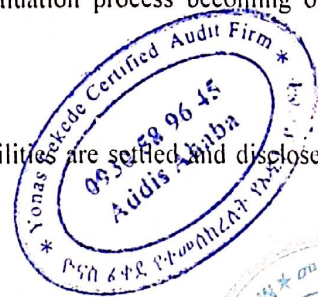
The Company has no financial asset measured at fair value on subsequent recognition.

4.5.4 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.6 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.



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5	REVENUE	
5.1	RECOGNISED AT A POINT IN TIME	
	Interest Income	1,685
	Sales of Service	662,350
	TOTAL INCOME	664,035
5.2	OTHER INCOME	
	Other Income	25,000
		25,000
6	GENERAL AND ADMINISTRATIVE EXPENSE	
	Salary Expense	167,875
	Rent	235,540
	Travel & peridium	7,400
	Stationery	55,128
	Advertizing & promotion	21,506
	Printing	-
	Audit	74,750
	Utility	1,904
	Bank service charge	4,145
	Telephone expense	15,576
	Accomudation	-
	Miscellaneous	10,374
	Penalty expense	7,604
	Licence fee	1,000
	General Assemble	65,437
	Deprecation	7,490
		675,729



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FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

5 PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and Equipment</u>	<u>Computers and accessories</u>	<u>Total</u>
Cost			
As at 9 March 2023	20,062	11,300	31,362
Additions	-	-	-
As at 30 June 2023	<u>20,062</u>	<u>11,300</u>	<u>31,362</u>
Accumulated depreciation			
As at 9 March 2023	-	-	-
Charge for the year	<u>4,704</u>	<u>2,786</u>	<u>7,490</u>
As at 30 June 2023	<u>4,704</u>	<u>2,786</u>	<u>7,490</u>
Net book value			
As at 9 March 2023	<u>20,062</u>	<u>11,300</u>	<u>31,362</u>
As at 30 June 2023	<u>15,358</u>	<u>8,514</u>	<u>23,873</u>

Impairment review

Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management are of the opinion that allowance for impairment is not required.

6 DEPOSIT ON BLOCKED ACCOUNT

As per Proclamation 626/2009 Article (c), "The minimum paid-up capital prescribed by the National Bank of Ethiopia shall be paid in cash and deposited in a blocked account in a bank in the name of the prospective micro-financing institution, the prospective micro-financing 'Meba Microfinance Institution Share Company' opened a blocked bank account on the below banks and raised a total of Birr 12,628,275. Of the total capital raised, Birr 12,055,000 represent share contributions made by an identified shareholder and the remaining balance of Birr 591,084 is deposit belongs to an unidentified shareholder."

Cash at bank-Commercial Bank of Ethiopia	5,487,750
Cash at bank-Bank of Abyssinia S.C.	5,854,460
Cash at bank-Awash Bank S.C.	906,350
Cash at bank-Dashen Bank S.C.	<u>396,050</u>
	<u>12,644,610</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

7 CASH AND CASH EQUIVALENT

Cash on hand	57,340
Cash at bank	301,903
	<u>359,243</u>

8 PAID UP CAPITAL

As per the prospectus document prepared by the company and submitted to the National Bank of Ethiopia, the subscribed capital of the company is Birr 17,991,000, out of which the paid-up capital is Birr 12,055,000, divided into 24,110 shares of Birr 500 par value each.

Authorised: 35,982 ordinary shares of birr 500 each	<u>17,991,000</u>
--	-------------------

Issued and fully paid: 24,110 ordinary shares of birr 500 each	<u>12,055,000</u>
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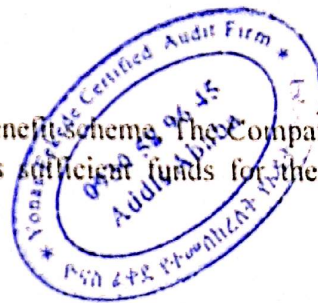
9 RETAINED EARNING

At the begning of the year	(163,104)
Profit for the year	13,306
Adjustment	(665)
At the end of the year	<u>(150,463)</u>

10 RETIREMENT BENEFIT OBLIGATION

Severance benefit plan

The severance benefit plan is an unfunded defined benefit scheme. The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

Since the company is under formation, there are no accrued employee benefits, including retirement benefits and accrued annual leave.

10.1 Liability recognized in the financial position

Severance pay	-
	-

Income statement charge included in personnel expenses:

- Severance benefit plan	-
Total defined benefit expenses	-

10.2 The principal assumptions used in determining defined benefit obligations

Discount rate (p.a)	30%	30%
Long term salary increases (p.a)	21%	21%

11 OTHER LIABILITIES

Unidentified deposit	604,884
Sundry payable	51,750
Total Other Liabilities	656,634

12 TAX PAYABLES

Income tax payable	2,700
Withholding tax payable	365
	3,065

MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2023

Currency: Ethiopian Birr

13 CURRENT TAXATION BASED ON TAXABLE PROFIT

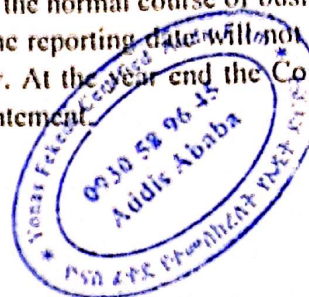
The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Profit before tax	13,306
Add:	
Penalty	-
Less :	
Last Year Loss	47,670
Taxable Income/Loss	60,976
Profit Tax 30%	-

14 CONTINGENT LIABILITIES

Claims and litigation

The Company is subjected to litigation arising in the normal course of business. The Management is of the opinion that the pending litigation as at the reporting date will not have a material effect on the financial position or profits of the Company. At the year end the Company is not involved in any cases. Significantly affecting the financial statement.



**MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-
UNDER FORMATION**

**INDEPENDENT AUDITORS' REPORT AND ACCOUNTS
FOR THE YEAR END 30, JUNE 2024**



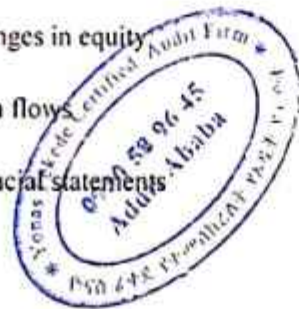
Yonas Fekede Certified Auditor (ETH) Chartered Certified Accountant (UK)



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+251 927 346257 P.O.box 7513 E-mail yfekede@gmail.com, bongeryonas@yahoo.com
Addis Ababa, Ethiopia

MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
REPORTS AND ANNUAL FINANCIAL STATEMENTS
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FOR THE YEAR END 30, JUNE 2024

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Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
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**MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
REPORTS AND ANNUAL FINANCIAL STATEMENTS
MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE
FOR THE YEAR END 30, JUNE 2024**

General Information

Tax identification Number(TIN) 0076633781

Executive management (as of 09 March 2023)

Name	Position	Appointed on
W/ro Azeb Mamo Deneke	Chief Executive Officer	February 3, 2024
Ato Birhanu Fetene Abebe	Operation manager	June 19, 2024

Organizer name

Getnet Haile
Daniel Tesfaye
Eden Habtu
Aschalwe Tilahun
Dadi Weyfen
Nebyrloul Debebe
Gosa Ashine
Tamirat Abebe
Tekelemariam Awoke

Principal Bankers

Commercial Bank of Ethiopia
Dashen Bank S.C.
Bank of Abyssinia S.C
Awash Bank S.C.
Ahadu bank

Independent Auditor

Yonas Fekede Certified Auditor (ETH) Chartered Certified Accountants (UK)
P. O. Box:- 7513
Telephone:- +251 118 340454, +251 930 589645
Addis Ababa, Ethiopia
E mail:- yfekede@gmail.com, bongeryonas@yahoo.com



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR END 30, JUNE 2024

Statement of Management Responsibility

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

The Commercial Code of Ethiopia 1243/2021 also requires Management to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year.

The Management of the company is also responsibilities to:

- 1 Select and apply accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 2 Management is responsible to keep records that may be relied upon and to design, implement and maintain such internal control to enable the preparation of financial statements that are free from material omissions or misstatement, whether due to fraud or error.
- 3 The management of the company certify that, to the best of their knowledge, the financial report comply with IFRS in that it involves a fair presentation of the effects of transactions, other events and conditions in accordance with the definitions, recognition, presentation and disclosure requirements.
- 4 Nothing has come to the attention of management to indicate that the company will not remain a going concern for at least twelve months from the date of this statement. At the end of reporting period, management has assessed whether there is any indication that an asset may be have been impaired and confirmed that no any such indication exists.

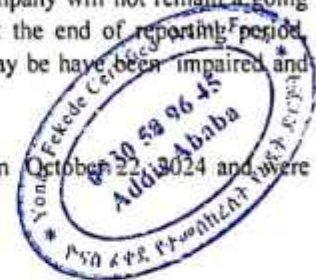
The financial statements, as indicated, were approved by the Management on October 22, 2024 and were signed on its behalf by:

Signature: _____

Board of Director Chair

Signature: _____

Chief Executive Officer



**INDEPENDENT AUDITOR'S REPORT SHAREHOLDERS OF
MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION**

Unqualified opinion

We have audited the accompanying financial statements of Meba Micro finance Institution S.C., set out on pages 5 to 29, which comprise the statement of financial position as at June 30, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Managements' Responsibility for the Financial Statements

The Company's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia 1243/2021 and for such internal controls as management determine 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 risk 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 disclosures made by the management.
- Conclude on the appropriateness of the management 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 auditors' report to related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.



We also provide those management with a statement that we have complied with relevant ethical requirement regarding independence, and to communicate with them all relationship and other matters that may responsible be thought to bear on our independence, and where applicable, related safeguards.

Reports on other legal and Regulatory Requirement

We have no comment to make on the report of the Board of Directors so far as it relates to these financial statements in accordance with the Commercial Code of Ethiopia 1243/2021 Article 34/ (1 and 2), recommended approval of the financial statement.



Yonas Fekede
Certified Auditor (ETH)
Chartered Certified Accountants (UK)

Addis Ababa
October 19, 2024



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

			<u>2023</u>
REVENUE	5	80,724	689,035
EXPENSE			
General and adminisrtaive Expense	7	365,218	675,729
PROFIT BEFORE TAX		(284,495)	13,306
PROVISION FOR TAXATION		-	-
PROFIT AFTER TAX		(284,495)	13,306
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(284,495)	13,306



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

Currency: Ethiopian Birr

	<u>Note</u>		<u>2023</u>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	1,785,383	23,872
		<u>1,785,383</u>	<u>23,872</u>
CURRENT ASSETS			
Deposit on block account	8	6,918,825	12,644,610
Trade & other Receivables	9	1,544,279	10,125
Cash and cash equivalents	10	2,773,771	359,243
TOTAL CURRENT ASSETS		<u>11,236,875</u>	<u>13,013,979</u>
TOTAL ASSETS		<u>13,022,258</u>	<u>13,037,851</u>
EQUITY AND LIABILITIES			
EQUITY			
Paid up capital	11	11,464,500	12,055,000
Legal Reserve		665	665
Retained earning	12	(434,957)	(150,463)
		<u>11,030,208</u>	<u>11,905,202</u>
NON-CURRENT LIABILITIES			
Retirement benefit obligations	13	-	-
		<u>-</u>	<u>-</u>
CURRENT LIABILITIES			
Other liabilities	14	1,840,444	1,129,584
Tax payables	15	151,606	3,065
TOTAL CURRENT LIABILITIES		<u>1,992,049</u>	<u>1,132,649</u>
TOTAL LIABILITIES		<u>1,992,049</u>	<u>1,132,649</u>
TOTAL EQUITY AND LIABILITIES		<u>13,022,258</u>	<u>13,037,851</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR END 30, JUNE 2024

	<u>Paid up capital</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE AS AT JUNE 30, 2022	4,767,000	-	(163,102)	4,603,898
Additional Investment	7,288,000			7,288,000
Profit for the year	-	-	13,306	13,306
Transferred to legal Reserve	-	665	(665)	-
Prior year adjustment	-	-	-	-
BALANCE AS AT JUNE 30, 2023	<u>12,055,000</u>	<u>665</u>	<u>(150,461)</u>	<u>11,905,204</u>
Additional Investment	(590,500)	-	-	(590,500)
Profit for the year	-	-	(284,494)	(284,494)
Prior year adjustment	-	-	-	-
Transferred to legal Reserve	-	-	-	-
BALANCE AS AT JUNE 30, 2024	<u>11,464,500</u>	<u>665</u>	<u>(434,955)</u>	<u>11,030,210</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
STATEMENT OF CASH FLOW
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

		<u>2023</u>
Cash flows from operating activities		
Cash flows from operating activities	(284,495)	13,306
Depercation	11,191	7,490
Increased (decrease) in deposit	5,725,785	(8,926,610)
Increased (decrease) in Trade & other Receivables	(1,534,154)	1,193,500
Increased (decrease) in other payables	859,400	971,071
	<u>5,062,222</u>	<u>(6,754,549)</u>
Net cash (outflow)/inflow from operating activities	4,777,728	(6,741,243)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,772,700)	-
Purchases of investment securities	-	-
Net cash (outflow)/inflow from investing activities	(1,772,700)	-
Cash flows from financing activities		
Issuance of Shares	(590,500)	7,288,000
Net cash (outflow)/inflow from financing activities	(590,500)	7,288,000
Net increase/(decrease) in cash and cash equivalents	2,414,528	546,757
Cash and cash equivalents at the beginning of the year	359,243	(187,513)
Cash and cash equivalents at the end of the year	2,773,771	359,244
Cash and cash equivalents	2,773,771	359,243



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY- UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

1 General information

Meba Microfinance Institution Share Company has been under formation since October 28, 2021, to be registered as a non-banking financial institution as per the Microfinance Business Proclamation 626/2009 and the requirement set by National Bank of Ethiopia. Currently, the bank has a subscribed and paid up capital of 17,991,000 and 12,055,000, respectively.

1.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company is principally engaged in the provision of diverse range of financial products and services to low income and poor target clients.

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 June 30, 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 are 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and its results fairly.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept and fair value as laid out in the following sections.

2.2.1 Going concern

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



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY- UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

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 the Company operates (the functional currency'). The functional currency and presentation currency of the Company 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 the Bank company's functional currency are recognised in profit or loss within other (loss) / income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.4 Recognition of income and expenses

The Company earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture, personal loans etc. The interest income, which is under IFRS 9 is calculated by applying the effective interest rate to the gross amount of financial assets, except for:

- a. Purchased or Originated Credit Impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- b. Financial assets that are not Purchased or Originated Credit Impaired but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision)

In addition, the institution earns fees and commission income, investment income and other income. These incomes are under the scope of IFRS 15. These incomes are recognized at a point in time when the institution is entitled for the transfer of services.

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 commission income are recognized as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees are expensed as the services are received.

Investment income is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY- UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

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.

2.5.1 Financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Institution has financial assets categorized as FVOCI

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

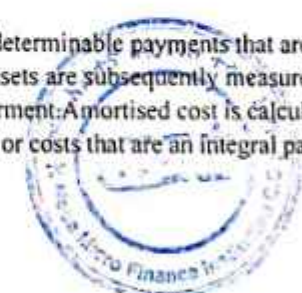
All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loan receivables which is presented as a separate line item.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:

a. Financial Assets at Amortized Cost

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 amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY- UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

the EIR. The EIR amortisation is included in interest and similar income in income statement. The losses arising from impairment are recognised in income statement in loan impairment charge.

The Company's cash and cash equivalents, loans and receivables that comprise of Agriculture loans, construction loans, Trade loans, Service Loans, Consumer loans, Asset Loan, Staff loans and Other Loan and bonds.

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

b. Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the any equity investment at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective is "hold to collect" the associated cash flows and sell and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY- UNDER FORMATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

'Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of this requirement included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Refer to Note 4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Meba Micro finance Institute measures other financial assets such as staff and sundary debtors at amortized cost method as pre the principles prescribed under IFRS 9. The other financial assets shall be presented in the statement of financial position net of any associated allowance for impairment. Allowance for impairment shall be recognized based on a simplified approach where by a provision matrix will be applied on long outstanding receivable amounts

Derecognition of financial assets

The Institution derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Institution neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

.On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration

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received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Institution enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale—and—repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Institution retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Institution neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Institution continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.5.2 Financial liabilities

The Institution's holding in financial liabilities represents mainly deposits from customers, long term liabilities and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the institution designated a financial liability at fair value through profit or loss. All of the institution's financial liabilities are measured at amortized cost. The institution measure other financial liabilities at amortized cost that includes such items as, taxes payable, pension payable, accruals, unearned revenue and retention payable

Derecognition Financial Liabilities

The Institution derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.6 Impairment Policy

The Institution recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and — loan commitments issued. The Institution measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and

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- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Institution considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Institution does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Institution expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Institution if the commitment is drawn down and the cash flows that the Institution expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Institution expects to recover.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Institution assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Institution on terms that the Institution would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Institution considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.
- Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Institution cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Institution presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Institution determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.



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Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Institution's procedures for recovery of amounts due. The Institution assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Institution considers when making this assessment include whether:

- The guarantee is implicitly part of the contractual terms of the debt instrument.
- The guarantee is required by laws and regulations that govern the contract of the debt instrument.
- The guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- The guarantee is given by the parent of the borrower or another company within the borrower's Bank.

If the Institution determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Institution considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Institution determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is creditimpaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Institution presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

The Institution considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, the Institution considered the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness. — The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfil the required criteria.

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An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held to—maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified. In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance. Loans that were subject to a collective IBNR provision were not considered impaired.

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in OCI.

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or



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loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

The Institution write-off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Institution Credit determined that there was no realistic prospect of recovery.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, demand deposits with third party merchants, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the institution's cash management are also included as a component of cash and cash equivalents for the purpose of the institution's statement of cash flows.

2.8 Property, plant and equipment

2.8.1 Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets including for self-constructed assets, the cost of materials, direct labor, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Construction in progress is transferred to other property, plant and equipment when it is ready for its intended use. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2.8.2 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment and investment property, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:



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Asset Class	Useful life (years)	Residual Value
Building	50-30	0.02
Motor Vehicle	20	0.02
Furniture and Fittings	20	1%
Computer equipment and accessories	18	1%
Generator	8	1%
Other PPE	20	1%

2.9 Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the income statement.

2.10 Other Assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables are recognised upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Institution's other receivables are receivables from debtors.

2.11 Leased assets

Most of the institution's leases are operating leases which do not transfer substantially all the risks and rewards of ownership to the institution. Payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covering the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received



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are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2.12 Employee benefits

The Company's only post-employment scheme is defined contribution pension plans.

a. Short-term Employment benefits (Wages, salaries, bonus and allowances)

Short-term employee benefits such as Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.

b. Post-Employment Benefit (Defined contribution plan-Pension)

The Company operates one defined contribution plan. Pension scheme in line with the provisions of Ethiopian pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively.

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accrued under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

Other long-term benefits such as severance expenses are recognized using the projected unit credit model. The assumptions are disclosed under note no. 26.1. Termination benefits are recognized when incurred.

2.14 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value-related disclosures for financial instruments and nonfinancial assets that are measured at fair value or where fair values are disclosed are, summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions note 4.6.1.
- Quantitative disclosures of fair value measurement hierarchy note 4.6.2.
- Financial instruments (including those carried at amortized cost) note 4.6.2.

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.16 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.



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3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 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.

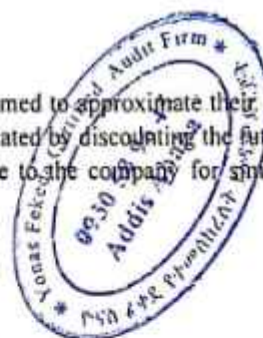
The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair value estimation (Judgement)

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.



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4 Financial risk management

4.1 Introduction

4.1.1 Risk measurement and reporting systems

The Company's risks are measured using methods that reflect 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 model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment

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

4.1.2 Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigants, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigants 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 reviewed as part of the review process.

4.2 Financial risk

Financial instruments by category

The Company's financial assets are classified into the following categories: at amortized cost, at fair value through P&L and at FV through OCI and the financial liabilities are classified into other liabilities at amortized cost. Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Company's classification of its financial assets is summarized in the table below:

	At fair value through profit or loss	At amortized cost	Total
30-Jun-24			
Cash and balances with banks	-	2,773,771	2,773,771
Deposit on block account	-	6,918,825	6,918,825
Other receivables excluding prepayments	-	239,168	239,168
Total financial assets	-	9,931,765	9,931,765

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	<u>At fair value through profit or loss</u>	<u>At amortized cost</u>	<u>Total</u>
30-Jun-23			
Cash and balances with banks	-	359,243	359,243
Deposit on block account	-	12,644,610	12,644,610
Other receivables excluding prepayments	-	10,125	10,125
Total financial assets	-	13,013,979	13,013,979

4.3 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk is trade receivables.

4.3.1 Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved executive management.

The table below show the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is show gross before the effect of mitigation:

	<u>2024</u>	<u>2023</u>
Cash and balances with banks	2,773,771	359,243
Deposit on block account	6,918,825	12,644,610
Other receivables excluding prepayments	239,168	10,125
	<u>9,931,765</u>	<u>13,013,979</u>

4.3.3 Credit concentrations

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at June 30, 2024 and June 30, 2023 The Company concentrates all its financial assets in Ethiopia.

	<u>Public</u>	<u>Private</u>	<u>Total</u>
30-Jun-24			
Cash and balances with banks	-	2,773,771	2,773,771
Investment securities	-	-	-
	<u>-</u>	<u>2,773,771</u>	<u>2,773,771</u>

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30-Jun-23

Cash and balances with banks	-	359,243	359,243
Investment securities:	-	-	-
	<u>-</u>	<u>359,243</u>	<u>359,243</u>

4.4 Capital management

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company's objectives in managing its capital are :

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To allocate capital efficiently to support growth;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products commensurately with the level of risk

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

4.5 Fair value of financial assets and liabilities

4.5.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENT
FOR THE YEAR END 30, JUNE 2024

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	June 30, 2024		June 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	ETB	ETB	ETB	ETB
Financial assets				
Cash and balances with banks	2,773,771	2,773,771	359,243	359,243
Investment				
Deposit on block account	6,918,825	6,918,825	12,644,610	12,644,610
Other receivables excluding prepayments	239,168	239,168	10,125	10,125
Total	9,931,765	9,931,765	13,013,979	13,013,979
Financial liabilities				
Trade payables	1,668,334	1,668,334	1,077,834	1,077,834
Other liabilities	323,715	323,715	54,815	54,815
Total	1,992,049	1,992,049	1,132,649	1,132,649

4.5.2 Fair value methods and assumptions

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.5.3 Valuation technique using significant unobservable inputs – Level 3

The Company has no financial asset measured at fair value on subsequent recognition.

4.5.4 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.6 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

5 REVENUE

		<u>2023</u>
Service charge	500	662,350
Bank interest income	224	1,685
Other Income	80,000	25,000
	<u>80,724</u>	<u>689,035</u>

6 GENERAL AND ADMINISTRATIVE EXPENSE

		<u>2023</u>
Salary and benefits	196,000	167,875
Rent	148,304	235,540
Travel and Perdiem	-	7,400
Stationery and printing	2,340	55,128
Advertising and promotion	-	21,506
Transportation	4,000	-
Professional fee	-	74,750
Utilities	95	1,904
Bank service charge	2,903	4,145
Communication	-	15,576
Miscellaneous expense	387	10,374
Penalty	-	7,604
Deprecation	11,191	7,490
License and registration	-	1,000
General Assembly	-	65,437
	<u>365,218</u>	<u>675,729</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

7 PROPERTY, PLANT AND EQUIPMENT

Currency: Ethiopian Birr

COST	Office Equipment	Furniture	Computers and accessories	Total
As at 1 July 2023	-	20,062	11,300	31,362
Additions	302,500	885,500	584,700	1,772,700
As at 30 June 2024	302,500	905,562	596,000	1,804,062
ACCUMULATED DEPRECIATION				
As at 1 July 2023	-	4,704	2,786	7,490
Charge for the year	738	5,610	4,842	11,191
As at 30 June 2024	738	10,314	7,628	18,681
NET BOOK VALUE				
As at 30 June 2023	-	15,358	8,514	23,872
As at 30 June 2024	301,762	895,248	588,372	1,785,383

Impairment review

Upon impairment review, the net book value of property, plant and equipment do not exceed its recoverable value as at the end of the reporting period. Thus, the management are of the opinion that allowance for impairment is not required.

8 DEPOSIT ON BLOCKED ACCOUNT

As per Proclamation 626/2009 Article (c), "The minimum paid-up capital prescribed by the National Bank of Ethiopia shall be paid in cash and deposited in a blocked account in a bank in the name of the prospective micro-financing institution, the prospective micro-financing 'Meba Microfinance Institution Share Company' opened a blocked bank account on the below banks and raised a total of Birr 12,628,275. Of the total capital raised, Birr 12,055,000 represent share contributions made by an identified shareholder and the remaining balance of Birr 591,084 is deposit belongs to an unidentified shareholder."

		2023
Cash at bank-Commercial Bank of Ethiopia	5,487,750	5,487,750
Cash at bank-Bank of Abyssinia S.C	128,675	5,854,460
Cash at bank-Awash Bank S.C.	906,350	906,350
Cash at bank-Dashen Bank S.C.	396,050	396,050
	6,918,825	12,644,610

MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

9 TRADE & OTHER RECEIVABLES

Currency: Ethiopian Birr

		<u>2023</u>
Shareholder receivable	10,125	10,125
Prepayment and advance	1,305,110	-
Deposit and guarantee	229,043	-
	<u>1,544,279</u>	<u>10,125</u>

10 CASH AND CASH EQUIVALENT

		<u>2023</u>
Cash on hand	-	57,340
Cash at bank	2,773,771	301,903
	<u>2,773,771</u>	<u>359,243</u>

11 PAID UP CAPITAL

As per the prospectus document prepared by the company and submitted to the National Bank of Ethiopia, the subscribed capital of the company is Birr 17,991,000, out of which the paid-up capital is Birr 12,055,000, divided into 24,110 shares of Birr 500 par value each.

		<u>2023</u>
Authorised:		
35,982 ordinary shares of birr 500 each	<u>17,991,000</u>	<u>17,991,000</u>
Issued and fully paid:		
24,110 ordinary shares of birr 500 each	<u>11,464,500</u>	<u>12,055,000</u>

12 RETAINED EARNING

		<u>2023</u>
At the begning of the year	(150,463)	(163,104)
Profit for the year	(284,495)	13,306
Adjustment	-	(665)
At the end of the year	<u>(434,958)</u>	<u>(150,463)</u>



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

13 RETIREMENT BENEFIT OBLIGATION

Severance benefit plan

The severance benefit plan is an unfunded defined benefit scheme. The Company does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize.

The severance benefits are based on the statutory severance benefit as set out in Labour Proclamation No. 377/2003, as amended by the Labour (Amendment) Proclamation No. 494/2006. Employees who have served the Company for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund) are entitled for the benefit. The final pay-out is determined by reference to final monthly salary and number of years in service computed as one month salary of the first year in employment plus one-third of monthly salary for subsequent years to a maximum of twelve months salary.

Since the company is under formation, there are no accrued employee benefits, including retirement benefits and accrued annual leave.

13.1 Liability recognized in the financial position

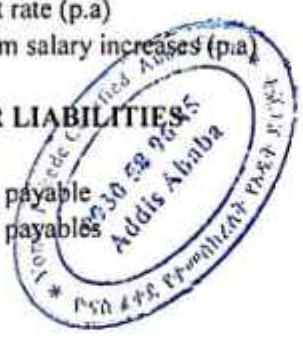
Severance pay	-
	-
Income statement charge included in personnel expenses:	
– Severance benefit plan	-
Total defined benefit expenses	-

13.2 The principal assumptions used in determining defined benefit obligations

Discount rate (p.a)	30%	30%
Long term salary increases (p.a)	21%	21%

14 OTHER LIABILITIES

Account payable	1,668,334	1,077,834
Accrued payables	172,110	51,750
	1,840,444	1,129,584



MEBA MICRO FINANCE INSTITUTION SHARE COMPANY-UNDER FORMATION
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2024

Currency: Ethiopian Birr

15 TAX PAYABLES

Income tax payable
 Pension
 Withholding tax payable

	2023
51,720	2,700
61,380	-
38,506	365
<u>151,606</u>	<u>3,065</u>

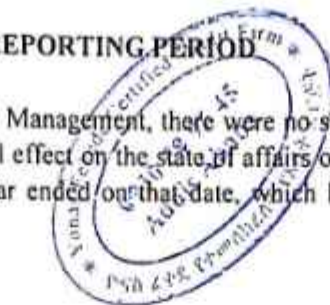
14 CONTINGENT LIABILITIES

Claims and litigation

The Company is subjected to litigation arising in the normal course of business. The Management is of the opinion that the pending litigation as at the reporting date will not have a material effect on the financial position or profits of the Company. At the year end the Company is not involved in any cases. Significantly affecting the financial statement.

15 EVENTS AFTER REPORTING PERIOD

In the opinion of the Management, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Company as at June 30, 2024 and on the profit for the year ended on that date, which have not been adequately provided for or disclosed.



MEBA MICROFINANCE INSTITUTION S.C.

AUDITORS' REPORT AND ACCOUNTS

JUNE 30, 2025

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Getachew Wakjira

ቻርተርድ ሠርቲፋይድ አካውንታንት (ቱኪ)

Chartered Certified Accountant (U.K.)

ሠርቲፋይድ የአዲት ድርጅት (ኢትዮ)

Certified Audit Firm (Eth.)

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Addis Ababa, Ethiopia

E-mail getwak611@gmail.com

MEBA Micro Finance Institution S.C

Content

For the year ended June 30, 2025

Corporate information

Company registration number 67

License number MF1/067/2024

Directors (As of 30 June , 2025)

		Appointment Date
Gtenet Haile	Chairperson, Board Of Directors	April 8, 2023
Dadi Woyfen	Vice Chairperson, Board Of Directors	April 8, 2023
Nebyeloul Debebe	Board Secretary	April 8, 2023
Daniel Tesfaye	Member, BoDs	April 8, 2023
Tamirat Abebe	Member, BoDs	April 8, 2023
Teklemariam Awoke	Member, BoDs	April 8, 2023
Gosa Ashine	Member, BoDs	April 8, 2023
Abera Misganaw	Member, BoDs	August 30, 2024
Anduamlak Yibeltal	Member, BoDs	August 30, 2024

Senior Management

W/ro Azeb Mamo	Chief Executive Officer	February 3, 2024
Ato Birhanu Fetene	Operations Department Manager	June 19, 2024
Ato Aschalwe Tilahun	Marketing and Business Development Manager	August 7, 2024
W/rt Salinek Tadele	Finance & Administration Department Manager	July.03/2024

Independent auditor

Getachew Waqjera Chartered Certified Accountants (U.K) Certified	January 30, 2025
Kirkos Sub City, Woreda 09, Bedesta bld 3 th floor, office number 301	
Addis Ababa, Ethiopia	
TEL: +251-115-157801	
Tel: +251-911-212087	
Email:	

Registered office

Arada Sub City, Woreda 09, House No 741/2/14	March 26, 2024
Around Aratkilo	
Holly Trinity University Build, 2nd Floor	
Addis Ababa, Ethiopia	
Tele: 0111-26-16-57	
Fax:	
P.O.Box: 21/1079	
mebamfi12@gmail.com	

Principal Bankers

Principal Bankers	
1	Ahadu Bank
2	Commercial Bank of Ethiopia
3	Awash Bank
4	Abyssinia Bank S.C
5	Abay Bank
6	Amhara Bank



MEBA Micro Finance Institution S.C

Content

For the year ended June 30,2025

Statement of directors' responsibilities

In accordance with Microfinance Business Proclamation No. 626/2009, 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:

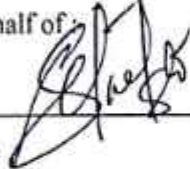
- exhibit clearly and correctly the state of its affairs;
- explain its transactions and financial position; and
- enable the National Bank to determine whether Microfinance had complied with the provisions of the Microfinance Business Proclamation and regulations and directives issued for the implementation 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 2013 and the relevant Directives issued by the National Bank of Ethiopia.

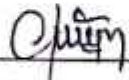
The Management has an opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The Management further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial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

Signed on behalf of:


Gtenet Haile
Chairperson, Board Chairperson
29-Sep-25




Azeb Mamo
Chief Executive Officer
29-Sep-25



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ፓርተር ሠርተፋይድ አካውንታንት (ቤኬ)
ሠርተፋይድ የአዲት ድርጅት (ኢትዮ)

GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ETH)

Office 011-515 78 06 - 011-552 05 80
Mobile 0911-21 20 87
Fax 251-011-552 05 80

P. o. Box 40418

Ref. No. 60/QW/18

Addis Ababa, Ethiopia

AUDITORS' REPORT TO THE
SHAREHOLDERS OF MEBA MICROFINANCE INSTITUTION S.C.
ON THE ACCOUNTS OF MEBA MICROFINANCE INSTITUTION S.C.

OPINION

We have audited the accompanying financial statements of Meba Microfinance Institution S.C. S.C which comprise statement financial position as at June 30, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material terms, the financial position of the Company as of June 30, 2025, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

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

RESPONSIBILITY OF MANAGEMENT'S AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.



e-mail getwak611@gmail.com

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

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

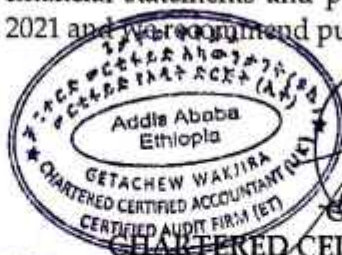
AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have no comments to make on the reports of the Board of Directors of the company so far as it related to these financial statements and pursuant to Article 349/1 of the commercial code of Ethiopia 2021 and we recommend pursuant to article 349/2 approval of the financial statements.



GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ETH)

Addis Ababa
September 30, 2025



MEBA Micro Finance Institution S.C
For the year ended June 30,2025
Statement of profit or loss and other comprehensive income
Content

		30-Jun-2025	30-Jun-2024
	Notes	Birr	Birr
Interest income	5	3,712,528	
Interest expense	6	(1,073,652)	
Net interest income		2,638,876	-
Net fees and commission income	7	1,202,990	500
Other operating income	8	60,154	80,000
Total operating income		3,902,020	80,500
Less: Loan impairment charge	9	(19,123)	
Net operating income		3,882,897	80,500
Salary and Other Employee Benefits	10	5,499,449	196,000
Annual Leave Expense	10.a	157,212	
General and administrative expenses	11	3,042,058	158,028
Depreciation on property, plant and equipment	12	220,372	11,191
		8,919,091	365,219
Profit before tax		(5,036,195)	(284,719)
Income tax expense		-	-
Profit after tax		(5,036,195)	(284,719)
Other comprehensive income (OCI) net on income tax			
Total comprehensive income for the period		(5,036,195)	(284,719)

The financial statements on pages 2, 5 to 8 were approved and authorised for issue by the board of directors on and were signed

Gtenet Haile
Chairperson, Board Chairperson
30-Sep-25

Azeb Mamo
Chief Executive Officer
30-Sep-25

The notes on pages 6 to 21 are an integral part of these financial statements



MEBA Micro Finance Institution S.C
For the year ended June 30,2025
Statement of financial position
Content

	Notes	30-Jun-2025 Birr	30-Jun-2024 Birr
ASSETS			
Current Assets			
Cash and balances with banks	14	16,901,806	9,692,596
Loans and receivables	15	30,661,064	-
Other Assets & Prepayments	17	922,767	667,570
		<u>48,485,637</u>	<u>10,360,166</u>
Non-Current Assets			
Investment	16	-	-
Property, plant and equipment	19	2,261,996	1,785,423
		<u>2,261,996</u>	<u>1,785,423</u>
Total Assets		50,747,633	12,145,589
LIABILITIES			
Current Liabilities			
Security and Compulsory Saving	20	4,117,488	-
Voluntary and Individual Savings	20	23,316,056	-
Other Payable	22	2,467,287	1,992,050
		<u>29,900,832</u>	<u>1,992,049</u>
Non-Current Liabilities			
Bank loan	21	10,000,000	-
		<u>10,000,000</u>	<u>-</u>
Total liabilities		39,900,832	1,992,049
EQUITY			
Paid-up Capital	23	17,194,000	11,464,500
Legal reserve		665	665
Retained earnings		(6,347,864)	(1,311,669)
Total equity		10,846,801	10,153,496
Total equity and liabilities		50,747,633	12,145,545



The notes on pages 6 to 21 are an integral part of these financial statements.

The financial statements on pages 6 to 9 were approved and authorised for issue by the board of directors on and were signed on

Gtenet Haile
 Chairperson, Board
 30-Sep-25

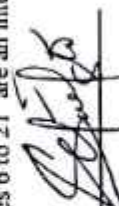
Azeb Mamo
 Chief Executive Officer
 30-Sep-25



MEBA Micro Finance Institution S.C
Statement of Changes in Equity
For the year ended June 30, 2025
Content

	Paid up Capital	Share Premium	Legal reserves	Retained Earnings	General reserve	Adjustme nt Reserve	Total
Balance as at June 30, 2021	12,055,000	(590,500)	665	(150,463)	-	-	11,314,702
Profit (Loss) for the year				(1,161,206)			(1,161,206)
Other Comprehensive							-
Transfer to regulatory risk reserve	-	-	-	-	-	-	-
As at June 30, 2024	12,055,000	(590,500)	-	(1,311,669)	-	-	10,153,496
Balance as at June 30,	11,464,500		665	(1,311,669)	-	-	10,153,496
Profit (Loss) for the year				(5,036,195.00)			(5,036,195.00)
Other Comprehensive income				-			-
Increase of the share	5,729,500						5,729,500
Balance 30 June 2025	17,194,000	-	665	(6,347,864)	-	-	10,846,801

The notes on pages 6 to 21 are an integral part of these financial statements.



Gtenet Haile
Chairperson, Board Chairperson
30-Sep-25



Azeb Mamo
Chief Executive Officer
30-Sep-25



MEBA Micro Finance Institution S.C

For the year ended June 30,2025

Content

Statement of cash flows

		30-Jun-2025	30-Jun-2024
	Note	Birr	Birr
Cash flows from operating activities	28	(7,823,303)	4,777,729
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(696,987)	(1,772,700)
Purchase of Equity Investments	16	-	-
Net cash (outflow)/inflow from investing activities		(696,987)	(1,772,700)
Cash flows from financing activities			
Proceeds (Settlements) for Loan		10,000,000	-
Increase In share capital		5,729,500	-
Net cash (outflow)/inflow from financing activities		15,729,500	-
Net increase/(decrease) in cash and cash equivalents		7,209,210	3,005,028
Cash and cash equivalents at the beginning of the year		9,692,596	6,687,568
Cash and cash equivalents at the end of the year	28	16,901,806	9,692,596

The financial statements on pages 6 to 9 were approved and authorised for issue by the board of directors

Gtenet Haile

Chairperson, Board Chairperson

30-Sep-25

Azeb Mamo

Chief Executive Officer

30-Sep-25

The notes on pages 6 to 21 are an integral part of these financial statements.



**MEBA MICRO FINANCE INSTITUTION SHARE COMPANY NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR END 30, JUNE 2025**

Currency: Ethiopian Birr

1 General information

Meba Microfinance Institution Share Company has been under formation since October 28, 2021, to be registered as non-banking financial institution as per the Microfinance Business Proclamation 626/2009 and the requirement set by National Bank of Ethiopia. Currently, the bank has a paid up capital of 17,991,000.

1.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company is principally engaged in the provision of diverse range of financial products and services to low income and poor target clients.

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 June 30, 2025 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and its results fairly.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept and fair value as laid out in the following sections.

2.2.1 Going concern

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



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 the Company operates ('the functional currency'). The functional currency and presentation currency of the Company 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 the Bank company's functional currency are recognized in profit or loss within other (loss) / income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.4 Recognition of income and expenses

The Company earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture, personal loans etc. The interest income, which is under IFRS 9 is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or Originated Credit Impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not Purchased or Originated Credit Impaired but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision)

In addition, the institution earns fees and commission income, investment income and other income. These incomes are under the scope of IFRS 15. These incomes are recognized at a point in time when the institution is entitled for the transfer of services.

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 commission income are recognized as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees are expensed as the services are received.

Investment income is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.



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.

2.5.1 Financial assets

Recognition and DE recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Institution has financial assets categorized

FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset • the contractual cash flow characteristics of the financial asset.

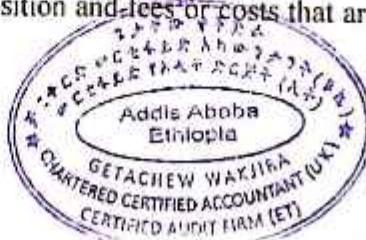
All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loan receivables which is presented as a separate line item.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:

a) Financial Assets at Amortized Cost

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. Mortised 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.

The Company's cash and cash equivalents, loans and receivables that comprise of Agriculture loans, construction loans, Trade loans, Service Loans, Consumer loans, Asset Loan, Staff loans and Other Loan and bonds.

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

b) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the any equity investment at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon DE recognition of the asset.



'Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of this requirement included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Refer to Note 4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Meba Micro finance Institute measures other financial assets such as staff and sundry debtors at amortized cost method as per the principles prescribed under IFRS 9. The other financial assets shall be presented in the statement of financial position net of any associated allowance for impairment. Allowance for impairment shall be recognized based on a simplified approach where by a provision matrix will be applied on long outstanding receivable amounts

DE recognition of financial assets

The Institution derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Institution neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On DE recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of

- (i) The consideration received including any new obtained less any new liability assumed)



- (ii) Any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

The Institution enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale—and—repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Institution retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Institution neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Institution continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.5.2 Financial liabilities

The Institution's holding in financial liabilities represents mainly deposits from customers, long term liabilities and other liabilities. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the institution designated a financial liability at fair value through profit or loss. All of the institution's financial liabilities are measured at amortized cost. The institution measure other financial liabilities at amortized cost that includes such items as, taxes payable, pension payable, accruals, unearned revenue and retention payable

Derecognition Financial Liabilities

The Institution derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.6 Impairment Policy

The Institution recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and — loan commitments issued. The Institution measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and



- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Institution considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Institution does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Institution expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Institution if the commitment is drawn down and the cash flows that the Institution expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Institution expects to recover.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Institution assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Institution on terms that the Institution would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Institution considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through — voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.
- Loss allowances for ECL are presented in the statement of financial position as follows:
 - financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
 - loan commitments and financial guarantee contracts: generally, as a provision;
 - Where a financial instrument includes both a drawn and an undrawn component, and the Institution cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Institution presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Institution determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.



Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Institution's procedures for recovery of amounts due.

The Institution assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Institution considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's Bank.

If the Institution determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Institution considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Institution determines that the guarantee is not an integral element of the debt instrument, then it recognizes an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognized only if the guaranteed exposure neither is credit impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognized in 'other assets'. The Institution presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

The Institution considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, the Institution considered the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness. — The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfill the required criteria.



An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgments about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgment to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held to—maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified. In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance. Loans that were subject to a collective IBNR provision were not considered impaired.

— For assets measured at amortized cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

— For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognized through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognized in OCI.

Impairment losses were recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognized through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.



The Institution write-off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Institution Credit determined that there was no realistic prospect of recovery.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, demand deposits with third party merchants, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the institution's cash management are also included as a component of cash and cash equivalents for the purpose of the institution's statement of cash flows.

2.8 Property, plant and equipment

2.8.1 Cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets including for self-constructed assets, the cost of materials, direct labor, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Construction in progress is transferred to other property, plant and equipment when it is ready for its intended use. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

2.8.2 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment and investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:



Asset Class	Useful life (years)	Residual Value
Building	50	5%
Vehicle/Motors	15	5%
Furniture and Fittings	20	1%
Computer & Peripherals	10	1%
Furniture Fittings	10	1%
Equipment	10	1%

2.9 Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the income statement.

2.10 Other Assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. The Institution's other receivables are receivables from debtors.



2.11 Leased assets

Most of the institution's leases are operating leases which do not transfer substantially all the risks and rewards of ownership to the institution. Payments made under the leases are charged to profit or loss in equal installments over the accounting periods covering the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2.12 Employee benefits

The Company's only post-employment schemes are defined contribution pension plans.

- a) Short-term Employment benefits (Wages, salaries, bonus and allowances short-term employee benefits such as Wages, salaries, bonuses, other contributions, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company.
- b) Post-Employment Benefit (Defined contribution plan-Pension) The Company operates one defined contribution plan;

Pension scheme in line with the provisions of Ethiopian pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;

Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

Other long-term benefits such as severance expenses are recognized using the projected unit credit model. The assumptions are disclosed under note no. 26.1. Termination benefits are recognized when incurred.

2.14 Fair value measurement

The Company measures financial instruments classified as available-for-sale at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and nonfinancial assets that are measured at fair value or where fair values are disclosed are.



summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions note 4.6.1.
- Quantitative disclosures of fair value measurement hierarchy note 4.6.2.
- Financial instruments (including those carried at amortized cost) note 4.6.2.

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

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

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

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

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

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

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

2.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.



If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as other operating expenses.

2.16 Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds. The excess of the issue price over the par value is recorded in the share premium reserve.

3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires the Management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 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.

The Company 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 the Company. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques using inputs from unobservable sources. A degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.



Fair value estimation (Judgment)

The carrying values less impairment provision of trade receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

4 Financial risk management

4.1 Introduction

4.1.1 Risk measurement and reporting systems

The Company's risks are measured using methods that reflect 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 model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment

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

4.1.2 Risk mitigation

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigates 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 reviewed as part of the review process.

4.2 Financial risk

Financial instruments by category

The Company's financial assets are classified into the following categories: at amortized cost, at fair value through P&L and at FV through OCI and the financial liabilities are classified into other liabilities at amortized cost.



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

The Company's classification of its financial assets is summarized in the table below:

	At fair value Through Profit or loss	At amortized Cost	Total
30-Jun-25			
Cash and balances with banks	-	15,743,755	15,743,755
Deposit on block account	-	1,158,050	1,158,050
Other receivables excluding prepayments	-	<u>49,983</u>	<u>49,983</u>
Total financial assets	-	<u>16,951,788</u>	<u>16,951,788</u>
30-Jun-24			
Cash and balances with banks	-	2,73,771	2,773,771
Deposit on block account	-	6,918,825	6,918,825
Other receivables excluding prepayments	-	<u>239,168</u>	<u>239,168</u>
Total financial assets	-	<u>9,931,765</u>	<u>9,931,765</u>

4.3 Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. A key area where the company is exposed to credit risk is trade receivables.

4.3.1 Management of Credit Risk

The company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved executive management.

The table below shows the maximum exposure to credit risk for the company's financial assets. The maximum exposure is show gross before the effect of mitigation:

	2024	2025
Cash and balance with banks	2,773,771	15,743,755
Deposit on block account	6,918,825	1,158,050
Other receivables excluding prepayments	-	-
	<u>9,692,596</u>	<u>16,901,806</u>



4.3.2 Credit Concentration

The company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at June 30, 2025 and June 30, 2024 the company concentrates all its financial assets in Ethiopia.

	Public	Private	Total
30-June-25			
Cash and balance with banks	-	15,743,755	15,743,755
Investment Securities	-	-	-
		<u>15,743,755</u>	<u>15,743,755</u>
30-June-24			
Cash and balance with banks	-	2,773,771	2,773,771
Investment Securities	-	-	-
		<u>2,773,771</u>	<u>2,773,771</u>

4.4 Capital management

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To allocate capital efficiently to support growth;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products commensurately with the level of risk.

An important aspect of the Company's overall capital management process is the setting of target risk adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.



4.5 Fair value of financial assets and liabilities

4.5.1 Valuation models

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data. In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial assets

Cash and balances with banks	15,743,755	15,743,755	2,773,771	2.773
Investment				
Deposit on block account	1,158,050	1,158,050	6,918.825	2,773
Other receivables excluding prepayments	49,983	49,983	239.168	239.1
Total	16,951,788	16,951,788	9,931.765	9.931



Financial liabilities	27,433,544	27,433,544	1,668,334	1,668,334
Trade payables				
	<u>12,467,287</u>	<u>2,467,287</u>	<u>323,71</u>	<u>323,715</u>
Other liabilities				
Total	<u>1,992,049</u>	<u>1,992,049</u>	<u>1,132,649</u>	<u>1,132,649</u>

4.5.2 Fair value methods and assumptions

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

4.5.3 Valuation technique using significant unobservable inputs – Level 3

The Company has no financial asset measured at fair value on subsequent recognition.

4.5.4 Transfers between the fair value hierarchy categories

During the three reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

4.6 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.



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	30-Jun-2025	30-Jun-2024
	Birr	Birr
5 INTEREST INCOME		
Interest Income on Loans	3,683,175	
Interest income from Bank deposit	29,353	
	3,712,528	-
6 INTEREST EXPENSES		
Interest Expense on client saving deposit	1,056,494	
Interest Expense Loan	17,158	
	1,073,652	-
7 Fee and commission income		
Share subscription Fee	1,050	-
Service charge	1,162,440	500
Registration Fee	19,450	
Income from sales of pass book	20,050	
	1,202,990	500
Fee and commission expense		
Net fees and commission income	1,202,990	500
8 Other Operating Income		
Income from death Insurance	29,540	
Loan loss recovery	-	-
Penalty and Other Income	30,614	80,000
	60,154	80,000
9 Loan Impairment Charge		
Impairment recovery	-	-
Loans written off	-	-
	-	-
10 Salary and Other Employees Benefits		
Salary and Other Benefit Expense	5,499,449	196,000
	5,499,449	196,000
10.a. Severance & unused Leave expenses		
Leave Expenses -accrued	157,212	
Severance Paid in the year	-	-
	157,212	-



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General and administrative expenses for the years ended June 30 2025 and June 30 2024 can be presented as follows:

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Office Rent Expenses	1,601,460	148,304
Maintenance Expense	5,497	
Transportation Expenses	55,943	4,000
Advertising and Promotional Expenses	87,446	
Traning Expense	4,650	
Bank Service Charge	23,770	2,903
Office Supplies-Stationary	165,439	2,340
Printing Materials	171,840	
Cleaning & Sanitory	16,639	
Membership & license Fee Expense	89,000	
Utility Expense	16,224	95
Commision Expense	71,239	
Telephone, Internet & Fax	90,465	
Loding Unloding	32,478	-
Audit fee	60,000	
Legal fee	40,000	
Inaguration Expense	123,224	
Penalty Expense	18,963	
Cost of government service	35,324	
General Assembly	311,634	
Miscellaneous	15,846	387
Insurance Expense	4,978	-
	3,042,058	158,029



Depreciation expense for the years ended June 30 2025 and June 30 2024 can be presented as follows:

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Depreciation expense	220,372	11,191
Total depreciation expense	220,372	11,191

13 Impairment on other assets & Bank Deposit

Impairment on other assets for the years ended June 30 2025 and June 30 2024 can be presented as follows:

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Impairment Charge - other asset	-	-
Impairment allowance - Bank Deposit	-	-
Total Impairment	-	-



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14 Cash on hand and bank balances

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Cash on hand		
Cash at Bank - Saving	5,064,492	
Block Account	1,158,050	6,918,825
Cash at Bank - Current	10,679,263	2,773,771
	<u>16,901,806</u>	<u>9,692,596</u>
<i>Maturity analysis</i>		
Current	16,901,806	9,692,596
Non-Current	-	-
	<u>16,901,806</u>	<u>9,692,596</u>

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

15 LOANS TO CUSTOMERS

Loan to customers as at 30 June 2025 and 2024 can be presented as follows:

	30-Jun-25	30-Jun-24
	Birr	Birr
Gross loans to customers		
Enterprise Loan (SME) Organization	2,105,238	-
Business Loans	9,359,556	-
Consumer Loan (Employee Loan) Individual	3,439,613	-
Consumer Loan (Employee Loan) Group	14,865,933	-
Consumer Loan (non-employee)	290,376	-
Housing/Construction& Renovation Loan	619,472	-
Gross loans to customers	<u>30,680,187</u>	<u>-</u>
Less : allowance for impairment losses	(19,123)	-
Net loans to customers	<u>30,661,064</u>	<u>-</u>

Movments of the loan impairment allowance For the year ended 30 June 2025 and 30 June 2024 as follows:

	30-Jun-25	30-Jun-24
	Birr	Birr
Balance at the beginning of the year	-	-
Balance at the end of the year	19,123	-
Provision expense	<u>19,123</u>	<u>-</u>



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The following table provide information on the credit quality of the loan portfolio:

Originated loans to customers according to the agreement

	30-Jun-25	30-Jun-24
	Birr	Birr
Current and less than 90 days overdue	4,639	
90 to 180 days overdue	14,484	
180 to 365 days overdue		
above 365 days overdue		
Balance at the end of the year	19,123	-
Less : allowance for impairment losses	-	-
Balance at the end of the year	19,123	-

Loan to customers are collateralized by:

	30-Jun-25	30-Jun-24
	Birr	Birr
Building	90,500,000	
Vehicle	27,000,000	
Cash	3,727,100	
	121,227,100	-

Reconcillations of loans to customers according to the agreement and interest rate:

	30-Jun-25	30-Jun-24
	Birr	Birr
Originated loans to customers according to the agreement	30,680,187	
Accrued interest according to the agreement	977,625	
Gross loans to customers according to the agreement	31,657,812	-
Gross loans to customers	30,680,187	-
Less: allowance for impairment losses	(19,123)	
Net loans to customers	30,661,064	-

Breakdown of current and noncurrent portions can be presented

	30-Jun-25	30-Jun-24
	Birr'	Birr'
Current portion	19,639,973	
Noncurrent portion	12,017,839	
Total loan and advances	31,657,812	-

16 Investment



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17 Other assets and prepayments

Other assets as at 30 June 2025 and 2024 can be presented as follows:

	30-Jun-25	30-Jun-24
	Birr'	Birr'
Non Financial Assets		
Interest receivable	39,859	
Share Recivable Receivable	10,125	10,125
Other Recivable		229,087
Prepaid Rent	443,020	428,358
Inventory	133,344	
Prepaid Telephon & Gmail Package	16,583	-
Deposit Insurance	30,000	
Office Guarante	216,086	
Prepaid Printing Material	33,750	-
Gross amount	922,767	667,570
Total other asset and Prepayment	922,767	667,570

Breakdown of current and noncurrent portions can be presented

	30-Jun-25	30-Jun-24
	Birr'	Birr'
Maturity analysis		
Current portion	767,281	555,084
Noncurrent portion	155,486	112,486
Total other asset and Prepayment	922,767	667,570



A reconciliation of the allowance for impairment losses for other assets is as follows:

Balance at the beginning of the year
(Reversal)/charge for the year
Balance at the end of the year

-	-
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Impairment allowance for the years ended 30 June 2025 and 30 June 2024 can be presented as follows:

	30-Jun-25	30-Jun-24
	Birr'	Birr'
Specific Impairment - Bank deposit		
Specific Impairment - other asset		
Total specific Impairment	-	-

18 Inventory

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

	30-Jun-25	30-Jun-24
	Birr'	Birr'
Printing materials	95,355	
Stationary	37,989	
Total Inventory	133,344	



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19 Property, plant and equipment

Property, plant and equipment as at 30 June 2024 and 2025 can be presented as follows:

Cost	Buildings	Motor Vehicles	Computer Equipment	Office Equipment	Furniture and	Total
As at 01 July 2024	-	-	596,000	302,500	905,562	1,804,062
Additions	-	-	79,800	240,200	376,987	696,987
Reclassification	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
As at 30 June 2025	-	-	675,800	542,700	1,282,549	2,501,049
Accumulated depreciation						
As at 01 July 2024	-	-	7,628	738	10,315	18,681
Charge for the year	-	-	63,397	44,762	112,213	220,372
Reclassification	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at 30 June 2025	-	-	71,025	45,500	122,528	239,053
Book Value As at 30 June 2024	-	-	588,372	301,762	895,247	1,785,381
Book Value As at 30 June 2025	-	-	604,775	497,200	1,160,021	2,261,996



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20 Savings

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Security and Compulsory Saving	4,117,488	
Individual Voluntary Saving	1,697,365	
Women Saving	5,522,210	
Child & Youth Saving (MINOR) 59	139,649	
Organizational Saving	393,926	
Interest Free Saving	12,250	
Elders Saving	212,663	
Special Purpose Saving	2,206,893	
Fixed Time Deposit	13,131,100	
Total other liabilities	27,433,544	-

Breakdown of borrowings by current and noncurrent portions can be presented

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Current portion	4,153,429	
Noncurrent portion	23,280,115	
Total Deposit	27,433,544	-

21 Borrowings

Bank Term Loans

For Operational purpose

Start Date 30/06/2025

Maturity Date 29/06/2027

Prepayment Schedul Quarterly

Interest Rate 14.5%

Collateral Asset -Cash collateral



Borrowing

Interest payable

Accrued interest

Total borrowings

Breakdown of borrowings by current and noncurrent portions can be presented

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Borrowing	10,000,000	
Interest payable		
Accrued interest		
Total borrowings	10,000,000	-



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Notes to the Financial statements
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22 Other liabilities

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Death Insurance premium	745,420	
Accrued Leave Payable	157,212	
Other Account Payables	290,164	
Other Current Liabilities	9,350	
Tax Payable	231,252	151,606
Accrued interest	606,901	
Unknown Payable	285,884	
Other Accrued Payable	141,105	1,840,444
	<u>2,467,287</u>	<u>1,992,050</u>

23 Share Capital

Authorised:

34,388 Ordinary shares of 500 Birr each

Issued and fully paid:

FY-2025; 34,388 and FY 2024; 22,929

Ordinary shares of 500 Birr each (17,194,000
as of 30 June 2025)

<u>17,194,000</u>	<u>11,464,500</u>
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24 Earnings Per Share

Earnings per share for the year is computed by dividing the operating profit before legal reserves by the average number of shares outstanding during the year.

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Profit for the year	(5,036,195)	
Weighted average share value	14,628,509	
Earning per share	34.43%	

25 Retained Earnings

Total retained earning as at 30 June 2025 and 30 June 2024 is as follows:

	30-Jun-2025	30-Jun-2024
	Birr	Birr
At the begning of the year	(1,311,669)	(1,026,950)
Profit for the year	(5,036,195)	(284,719)
At the end of the year	<u>(6,347,864)</u>	<u>(1,311,669)</u>



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26 Taxation charge

According to the Micro Finance Proclamation No. 626/2009 Article 23, a micro finance that fully ploughs back the profit to the business activity is exempt from profit tax but if the company distributes the profit to shareholders it shall pay profit tax as any Business entity.

27 Regulatory risk Reserve

Total regulatory risk reserve as at 30 June 2025 and 30 June 2024 is as follows:

	30-Jun-2025	30-Jun-2024
	Birr	Birr
At the begning of the year	-	-
Suspended interest reinstated	-	-
At the end of the year	-	-

Regulatory risk reserve represent amount transfered from retained earnings to comply with the Natioanl Bank of Ethiopia requirment regarding interest computed on non performing loan and provisions in excess of International Financial Reporting Standard requirment.

28 Notes to the statement of cashflows

a) Cash used in operations

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Reconciliation of profit before income tax to		
Profit before tax	(5,036,195)	(1,161,205)
Adjustments for non-cash items:	-	-
Depreciation of property and equipment	220,372	11,191
Changes in operating assets and liabilities:		
-Decrease/ (Increase) in loans and advances	-	5,725,785
-Decrease/ (Increase) in loans and advances	(30,661,064)	-
-Decrease/ (Increase) in other assets	(255,198)	(657,443)
-Increase/ (Decrease) in customer's deposit	27,433,544	-
-Increase/ (Decrease) in other liabilities	475,237	859,401
	(7,823,303)	4,777,729

b) Cash and cash equivalents

Cash in hand

Deposits with local banks

TOTAL

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Cash in hand	16,901,806	9,692,596
Deposits with local banks	16,901,806	9,692,596



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Following table details outstanding borrowings as at 30 June 2023 and 30 June

	30-Jun-2025	30-Jun-2024
	Birr	Birr
Loan account		
Long term Borrowing - Commercial	10,000,000	
Interest payable	-	
	10,000,000	-

Severance pay

AVFS recognized severance payment plan for its employees who have served for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent years in employment to a maximum of 12 months final monthly salary.



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29 Related party transactions

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

a Transactions with related parties

There are no staff loans and advances disbursed to key management members and outstanding for the years ended June 30, 2025 and 2024.

b Key management compensation

a) Parties that directly or indirectly through one or more intermediaries; control or are controlled by or are under common control with the company this includes parents subsidiaries and fellow subsidiaries; have an interest in The Organisation that gives then significant influence over The Organisation; and that have joint control over the company;

b) Members of key management personnel of the company or its parent;

c) Close members of the family of any individuals referred to in a or b;

d) Parties that are entities controlled jointly controlled or significantly influenced by or for which significant voting power in such entity resides with directly or indirectly any individual referred to in c or b;
 In considering each possible related party relationship attention is directed to the substance of the relationship and not merely the legal form Details of transactions between The Organisation and other related parties are disclosed below :

Related party balances and transactions as and for the year ended 30 June 2025

2024	Board Directors	Key mamangment personnel
Borrowing	-	-
Customers deposit	-	-
Interest expense	-	-
Transport allowance	-	11,000
Salaries and other employee benefits	-	390,000
2025	Board Directors	Key mamangment personnel
Borrowing	-	-
Customers deposit	537,045	-
Interest expense	13,103	-
Transport allowance	-	26,400
Salaries and other employee benefits	-	936,000

30 Events after reporting period

In the opinion of the Mangement, there were no events in MEBA MFI as at 30 June 2025 on the profit for the period ended on that date, which have not been adequately provided for or disclosed.



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Notes to the Financial statements
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31 Financial risk management

Introduction

As a financial institution The Organisation is exposed to risks that arise from its use of financial instruments This note describes The Organisation's objectives policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements Financial assets and financial liabilities that are liquid or have a short term maturity it is assumed that the carrying amounts approximate to their fair value.

Risk is inherent in the Institution's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Institutions' continuing profitability and each individual within the Institution is accountable for the risk exposures relating to his or her responsibilities. The Institution is exposed to credit risk, liquidity risk, market risk and various operating risks.

Risk management structure

Risk management is one component of all core processes of the Institution. In its day-to-day activities the institution is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk, interest rate risk and operational risk.

The Institution's risk management and control is based on the following key principles:

- The board of Directors approves the risk management policies of the Institution and ensures their implementation.
- The management is responsible for implementing the policies in a manner that limits risks associated with each risk exposure.
- Appropriate and effective internal control exists to safeguard assets and to ensure compliance with relevant laws, regulations and institutional policies.
- The risk management and monitoring is supported by a management information system that supplies timely and consolidated reports on the financial conditions, operating performance and risk exposure of the Institution.

The Independent Risk Management and Compliance function is established to review compliance with the approved risk management policies and various risk related committees are established which are responsible for the implementation of the risk management policies.

The management has overall responsibility for the determination of The Organisation's risk management objectives and policies and whilst retaining ultimate responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the organisations finance function.

The overall objective of the management is to set policies that seek to reduce risks as far as possible without unduly affecting The Organisation's competitiveness and flexibility Further details regarding these policies are set out below Through its operations The Organisation is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk



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Risk measurement and reporting systems

The Institution'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.

Risk mitigation

Risk controls and mitigants, identified and approved for the Institution, are documented for existing and new processes and systems. The Institution uses risk tolerance limit as a risk limit control. This risk tolerance limit composed of risk limit by economic sector, by credit product and by maturity. There also limitations imposed by the regulatory organ which all Microfinance Institutions should comply.

As part of the credit risk mitigation which is the main identified financial risk of the Institution, an appropriate risk environment, credit policies and procedures are established. In addition, there is portfolio management, appropriate credit administration and monitoring and loan review function.

The other credit risk mitigation measures is obtaining sufficient collateral securities and guarantees for certain loan products as the second way out in case of default.

Financial instruments by category

The Institution's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost.

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

30-June-2024	FVOCI	Amortized Cost	Total
Cash and cash equivalents		9,692,596	9,692,596
Loans and advances to customers (Net)			-
Other assets and prepayments		667,570	667,570
Investment in securities:			-
Financial assets at fair value through OCI	-		-
Total Financial asset	-	10,360,166	10,360,166
30-June-2025	FVOCI	Amortized Cost	Total
Cash and cash equivalents		16,901,806	16,901,806
Loans and advances to customers (Net)		30,661,064	30,661,064
Other assets and prepayments		922,767	922,767
Investment in securities:			-
Financial assets at fair value through OCI	-		-
Total Financial asset	-	48,485,637	48,485,637



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Credit risk

Credit risk is the probability that a counterparty of the Institution will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Institution is exposed to credit risk due to activities such as loans and advances and loan commitments arising from lending activities.

Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, the Institution 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. The Institution's policy is to lend principally on the basis of the customer's repayment capacity through various evaluation. However as much as possible the institution ensure that the loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

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

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 utilisation of the undrawn commitment at default.

Maximum exposure to credit risk before collateral held or credit enhancements

The institution's maximum exposure to credit risk at 30 June 2025 and 30 June 2024 is represented by the net carrying amounts in the statement of financial position.

	30-Jun-25	30-Jun-24
Cash and cash equivalents	16,901,806	9,692,596
Loans and advances to customers (Net)	30,661,064	-
Other assets and prepayments	922,767	667,570
Investment in securities:		
Financial assets at amortized cost	-	-
Financial assets at fair value through OCI	-	-
Total Financial asset	48,485,637	10,360,166
Credit risk exposures relating to off balance sheets are at:		
Loan Commitment	-	-
Total off balance sheet exposure	-	-
Total maximum exposure	48,485,637	10,360,166



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended June 30,2025
(in Ethiopia Birr)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total	30-Jun-24
Stage 1 – Pass	4,639			4,639	
Stage 2 – Special mention		14,484		14,484	
Stage 3 - Non performing			-	-	
Total gross exposure	4,639	14,484	-	19,123	-
Loss allowance				-	
Net Carrying amount	4,639	14,484	-	19,123	-

Amounts arising from

i) inputs, assumptions and techniques used for estimating impairment

ii) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Institution 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 the Institution's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- the Institution uses three criteria for determining whether there has been a significant increase in credit risk:
- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due,

iii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Institution collects performance and default information about its credit risk exposures analyzed by type of product and borrower. The Institution employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended June 30,2025
(in Ethiopia Birr)

iv) Determining whether credit risk has increased significantly

The Institution assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Institution's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Institution's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Institution considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Institution determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Institution monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

v) Definition of default



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended June 30,2025
(in Ethiopia Birr)

The Institution considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Institution in full, without recourse by the Institution to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Institution.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Institution considers indicators that are:

- qualitative: e.g. breaches of covenant;
 - quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Institution; and
 - based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

vi) Incorporation of forward-looking information

The Institution incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information which includes economic data and forecasts, an external and independent macroeconomic data body will be considered in the forward looking information assessment. This is in addition to industry-level, semi annual NPL trends across statically comparable sectors.

The Institution has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

vii) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Institution estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended June 30,2025
(in Ethiopia Birr)

EAD represents the expected exposure in the event of a default. The Institution derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

viii) Loss allowance

Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the forward looking model required by IFRS-9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

	30-Jun-25	30-Jun-24
Total impairment based on IFRS	-	(1,496,653)
Total impairment based on NBE Directives	(4,813,403)	
Variation	4,813,403	(1,496,653)
Credit Concentration		

The Institution monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 30 June 2025 and 30 June 2024.



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended June 30,2025
(in Ethiopia Birr)

	30-Jun-25		30-Jun-24
Enterprise Loan (SME) Organization	2,105,238	6.86%	-
Business Loans	9,359,556	30.51%	-
Consumer Loan (Employee Loan) Individual	3,439,613	11.21%	-
Consumer Loan (Employee Loan) Group	14,865,933	48.45%	-
Consumer Loan (non-employee)	290,376	0.95%	-
Housing/Construction& Renovation Loan	619,472	2.02%	-
	30,680,187	100.00%	0.00%

Nature of security in respect of loans and advances to customers

30-Jun-25	Building	Vehicle	Share	Cash	Total
Enterprise Loan (SME) Organization	5,500,000	-	-	270,000	5,770,000
Business Loans	76,500,000	27,000,000	-	1,153,300	104,653,300
Consumer Loan (Employee Loan) Individual	2,500,000	-	-	420,400	2,920,400
Consumer Loan (Employee Loan) Group	-	-	-	1,773,400	1,773,400
Consumer Loan (non-emplo)	-	-	-	40,000	40,000
Housing/Construction& Rer	6,000,000	-	-	70,000	6,070,000

30-Jun-24	Building	Vehicle	Share	Cash	Total
Enterprise Loan (SME) Organization					
Enterprise Loan (SME) Organization					
Consumer Loan (Employee Loan) Individual					
Consumer Loan (Employee Loan) Group					
Consumer Loan (non-employee)					
Housing/Construction& Renovation Loan					
Staff Loan					



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended June 30,2025
(in Ethiopia Birr)

MARKET RISK

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors. Market risk arises from The Organisation's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, currency risk and interest rates interest rate risk.

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

INTEREST RATE RISK

Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair values of the financial assets and liabilities of The Organisation. This risk can arise from maturity mismatches of assets and liabilities as well as from the repricing characteristics of such assets and liabilities.

The table below summarises The Organisation's exposure to interest rate risks. The table presents the aggregated amounts of The Organisation's interest bearing financial assets and interest bearing financial liabilities at carrying amounts as at 30 June 2025 and 30 June 2024.

Asset	Interest variable	30-Jun-25	30-Jun-24
Cash and balances with bank	Fixed	16,901,806	9,692,596
Loans and advances to customers	Fixed	30,661,064	-
Investment securities	Fixed	-	-
Total interest bearing financial assets		47,562,870	9,692,596
Liabilities			
Deposits from customers	Fixed	27,433,544	-
Borrowings	Fixed	10,000,000	-
Total interest bearing financial liabilities		37,433,544	-
Net interest sensitivity gap		10,129,326	9,692,596

The information about maturities of interest bearing financial assets and interest bearing financial liabilities is given in liquidity risk quantitative disclosures.

The Organisation's all interest bearing assets and liabilities are at fixed interest rates therefore market interest rate fluctuations do not affect the organisation's income or expenses.



MEBA MICROFINANCE INSTITUTION S.C.

AUDITORS' REPORT AND ACCOUNTS

JANUARY 31, 2026

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Getachew Wakjira

Chartered Certified Accountant (U.K.)

Certified Audit Firm (Eth.)

TEL. 011-515 78 06, 011-552 05 80

Mobile 0911- 21 20 87

FAX 251 - 011- 552 05 80

P.O. Box 40418

Addis Ababa, Ethiopia

E-mail getwak611@gmail.com

MEBA Micro Finance Institution S.C
Content

For the year ended January 31, 2026

Corporate information

Company registration number 67

License number MFI/067/2024

Directors (As of 31 January , 2026)

	Appointment Date
Gtenet Haile	Chairperson, Board Of Directors
Dadi Woyfen	Vice Chairperson, Board Of Directors
Nebyeloul Debebe	Board Secretary
Daniel Tesfaye	Member, BoDs
Tamirat Abebe	Member, BoDs
Teklemariam Awoke	Member, BoDs
Gosa Ashine	Member, BoDs
Abera Misganaw	Member, BoDs
Anduamlak Yibeltal	Member, BoDs

Senior Management

W/ro Azeb Mamo	Chief Executive Officer	February 3, 2024
Ato Birhanu Fetene	Operations Department Manager	June 19, 2024
Ato Aschalwe Tilahun	Marketing and Business Development Manager	August 7, 2024
W/rt Salinek Tadele	Finance & Adminstration Department Manager	July.03/2024

Independent auditor

Getachew Waqjera Chartered Certified Accountants (U.K) Certified Audit firm (ET)	January 30, 2025
Kirkos Sub City, Woreda 09, Bedesta bld 3 th floor, office number 301	
Addis Ababa, Ethiopia	
TEL: +251-115-157801	
Tel: +251-911-212087	
Email:	

Registered office

Arada Sub City, Woreda 09, House No 741/2/14	March 26, 2024
Around Aratkilo	
Holly Trinity University Build, 2nd Floor	
Addis Ababa, Ethiopia	
Tele: 0111-26-16-57	
Fax:	
P.O.Box: 21/1079	
mebam12@gmail.com	

Principal Bankers

Principal Bankers
1 Ahadu Bank
2 Commercial Bank of Ethiopia
3 Awash Bank
4 Abyssinia Bank S.C
5 Abay Bank
6 Amhara Bank



MEBA Micro Finance Institution S.C
Content
For the year ended January 31, 2026
Statement of directors' responsibilities

In accordance with Microfinance Business Proclamation No. 626/2009, 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:

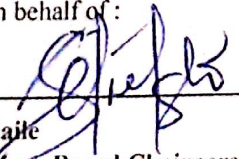
- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the National Bank to determine whether Microfinance had complied with the provisions of the Microfinance Business Proclamation and regulations and directives issued for the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

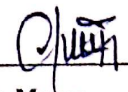
The Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Microfinance Business Proclamation, Commercial code of 2013 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:


Gtenet Haile
Chairperson, Board Chairperson
Date: March 6, 2026


Azeb Mamo
Chief Executive Officer
Date: 06/3/2026



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GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ETH)

Office 011-515 78 06 - 011-552 05 80
Mobile 0911- 21 20 87
Fax 251-011-552 05 80

P. o. Box 40418

Ref. No. 738 /GW/18

Addis Ababa, Ethiopia

AUDITORS' REPORT TO THE
SHAREHOLDERS OF MEBA MICROFINANCE INSTITUTION S.C.
ON THE ACCOUNTS OF MEBA MICROFINANCE INSTITUTION S.C.

OPINION

We have audited the accompanying financial statements of Meba Microfinance Institution S.C. which comprise statement financial position as at January 31, 2026, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

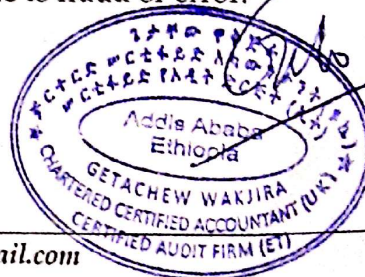
In our opinion, the accompanying financial statements present fairly, in all material terms, the financial position of the Company as of January 31, 2026, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

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

RESPONSIBILITY OF MANAGEMENT'S AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.



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

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

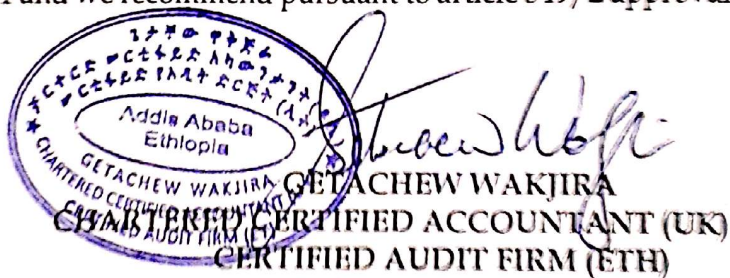
AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have no comments to make on the reports of the Board of Directors of the company so far as it related to these financial statements and pursuant to Article 349/1 of the commercial code of Ethiopia 2021 and we recommend pursuant to article 349/2 approval of the financial statements.



Addis Ababa
March 4, 2026



MEBA Micro Finance Institution S.C
For the year ended January 31,2026
Statement of profit or loss and other comprehensive income
Content

		31-Jan-2025	30-Jun-2025
	Notes	Birr	Birr
Interest income	5	10,752,535	3,712,528
Interest expense	6	(3,731,199)	(1,073,652)
Net interest income		7,021,336	2,638,876
Net fees and commission income	7	1,327,841	1,202,990
Other operating income	8	224,704	60,154
Total operating income		8,573,880	3,902,020
Less: Loan impairment charge	9	(875,764)	(19,123)
Net operating income		7,698,116	3,882,897
Salary and Other Employee Benefits	10	4,307,250	5,499,449
Annual Leave Expense		30,012	157,212
General and administrative expenses	11	2,806,522	3,042,058
Depreciation on property, plant and equipment	12	173,468	220,372
Impairment on other assets and Bank Deposit	13	-	-
		7,317,252	8,919,091
Profit before tax		380,864	(5,036,194)
Income tax expense		-	-
Profit after tax		380,864	(5,036,194)
Other comprehensive income (OCI) net on income tax			
Remeasurement gain / (loss)		-	-
Remeasurement gain/(loss) on retirement			
Deferred tax (liability)/asset on			
Total comprehensive income for the period		380,864	(5,036,194)

The financial statements on pages 2, 5 to 8 were approved and authorised for issue by the board of directors on and were signed on its behalf by:

Gtenet Haile _____
Chairperson, Board
Date: March 6, 2026

Azeb Mamo _____
Chief Executive Officer
Date: 06/03/2026

The notes on pages 6 to 21 are an integral part of these financial statements.



MEBA Micro Finance Institution S.C
For the year ended January 31, 2026
Statement of financial position
Content

		31-Jan-2026	30-Jun-2025
	Notes	Birr	Birr
ASSETS			
Current Assets			
Cash and balances with banks	14	10,650,544	16,901,806
Loans and receivables	15	55,708,993	30,661,064
Other Assets & Prepayments	17	4,984,151	922,767
		71,343,688	48,485,637
Non-Current Assets			
Investment	16	-	-
Property, plant and equipment	19	3,184,768	2,261,996
		3,184,768	2,261,996
Total Assets		74,528,456	50,747,633
LIABILITIES			
Current Liabilities			
Security and Compulsory Saving	20	8,600,195	4,117,489
Voluntary and Individual Savings	20	38,539,285	23,316,057
Accrued Interest on Customer Deposit	20	120,833	-
Other Payable		4,395,464	2,467,287
		51,655,778	29,900,832
Non-Current Liabilities			
Bank loan	21	11,645,012	10,000,000
Employee benefit (Severance)		-	-
Grants		-	-
Deferred Service Charge		-	-
		11,645,012	10,000,000
Total liabilities		63,300,789	39,900,832
EQUITY			
Paid-up Capital	23	17,194,000	17,194,000
Donated Equity		-	-
Legal reserve		665	665
General reserve		-	-
Share Premium		-	-
Retained earnings		(5,967,000)	(6,347,864)
IFRS Adjustment Reserve		-	-
Total equity		11,227,665	10,846,801
Total equity and liabilities		74,528,456	50,747,633

Gtenet Haile

Chairperson, Board Chairperson

Date: March 5/2026

Azeb Mamo

Chief Executive Officer

Date: 06/03/2026

The notes on pages 6 to 21 are an integral part of these financial statements.

The financial statements on pages 6 to 9 were approved and authorised for issue by the board of directors on and were signed on its behalf by:



Page 7



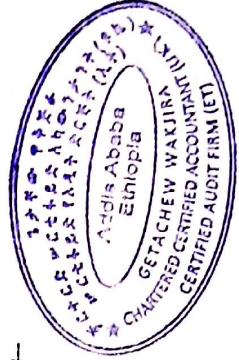
MEBA Micro Finance Institution S.C
For the year ended January 31, 2026
MEBA Micro Finance Institution S.C
Statement of Changes in Equity
For the year ended January 31, 2026
Content



	Paid up Capital	Share Premium	Legal reserves	Retained Earnings	General reserve	IFRS	
						Adjustment Reserve	Total
Balance as at June 30, 2024	11,464,500	-	665	(1,311,669)	-	-	10,153,496
Profit (Loss) for the year (as of Janu, 2026)				(5,036,195)			(5,036,195)
Other Comprehensive income							
Increase of the share capital							
Share Premium	5,729,500						5,729,500
Transfer to legal reserve	-						
Prior period adjustment	-						
Transfer to regulatory risk reserve	-						
As at June 30, 2025	17,194,000	-	665	(6,347,864)	-	-	10,846,801
Balance as at June 30, 2025	17,194,000	-	665	(6,347,864)	-	-	10,846,801
Profit (Loss) for the year				380,864			380,864
Other Comprehensive income							
Increase of the share capital							
Share Premium							
Transfer to legal reserve							
Prior period adjustment							
Transfer to regulatory risk reserve							
Balance 31 January 2026	17,194,000	-	665	(5,967,000)	-	-	11,227,665

Gtenet Haile
 Chairperson, Board Chairperson
 Date: March 6, 2026

Azeb Mamo
 Chief Executive Officer
 Date: 05.03.2026



The notes on pages 6 to 21 are an integral part of these financial statements.

MEBA Micro Finance Institution S.C

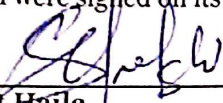
For the year ended January 31,2026

Content

Statement of cash flows

	Note	31-Jan-2026	30-Jun-2025
		<u>Birr</u>	<u>Birr</u>
Cash flows from operating activities	28	(6,800,034)	(7,823,303)
Adjustments for non-cash items:			
Purchase of property, plant and equipment	19	(1,096,240)	(696,987)
Purchase of Equity Investments	0	-	-
Net cash (outflow)/inflow from investing activities		(1,096,240)	(696,987)
Changes in working capital:			
Cash flows from financing activities			
Proceeds (Settlements) for Loan		1,645,012	10,000,000.00
Issuance Of Shares		-	5,729,500.00
Net cash (outflow)/inflow from financing activities		1,645,012	15,729,500
Net increase/(decrease) in cash and cash equivalents		(6,251,262)	7,209,210
Cash and cash equivalents at the beginning of the year		16,901,806	9,692,596
Cash and cash equivalents at the end of the year	28	10,650,544	16,901,806

The financial statements on pages 6 to 9 were approved and authorised for issue by the board of directors on and were signed on its behalf by:


Gtenet Haile
 Chairperson, Board Chairperson
 Date: 06/03/2026


Azeb Mamo
 Chief Executive Officer
 Date: 06/03/2026

The notes on pages 6 to 21 are an integral part of these financial statements.



**MEBA MICRO FINANCE INSTITUTION SHARE COMPANY NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 30, JANUARY 2026**

Currency: Ethiopian Birr

1 General information

Meba Microfinance Institution Share Company has been under formation since October 28, 2021, to be registered as non-banking financial institution as per the Microfinance Business Proclamation 626/2009 and the requirement set by National Bank of Ethiopia. Currently, the bank has a paid up capital of 17,991,000.

1.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company is principally engaged in the provision of diverse range of financial products and services to low income and poor target clients.

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 January 31, 2026 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and its results fairly.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept and fair value as laid out in the following sections.

2.2.1 Going concern

The financial statements have been prepared on a going concern basis. The management has no doubt that the Company will remain in existence after 12 months.



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 the Company operates ('the functional currency'). The functional currency and presentation currency of the Company 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 the Bank company's functional currency are recognized in profit or loss within other (loss) / income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.4 Recognition of income and expenses

The Company earns income from interest on loans given for domestic trade and services, building and construction, manufacturing, agriculture, personal loans etc. The interest income, which is under IFRS 9 is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or Originated Credit Impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not Purchased or Originated Credit Impaired but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision)

In addition, the institution earns fees and commission income, investment income and other income. These incomes are under the scope of IFRS 15. These incomes are recognized at a point in time when the institution is entitled for the transfer of services.

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 commission income are recognized as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees are expensed as the services are received.

Investment income is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve and declare the dividend.



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.

2.5.1 Financial assets

Recognition and DE recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the Institution has financial assets categorized as

FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset • the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loan receivables which is presented as a separate line item.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:

a) Financial Assets at Amortized Cost

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. Mortised 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.



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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.

The Company's cash and cash equivalents, loans and receivables that comprise of Agriculture loans, construction loans, Trade loans, Service Loans, Consumer loans, Asset Loan, Staff loans and Other Loan and bonds.

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

b) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the any equity investment at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon DE recognition of the asset.



'Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of this requirement included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Refer to Note 4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

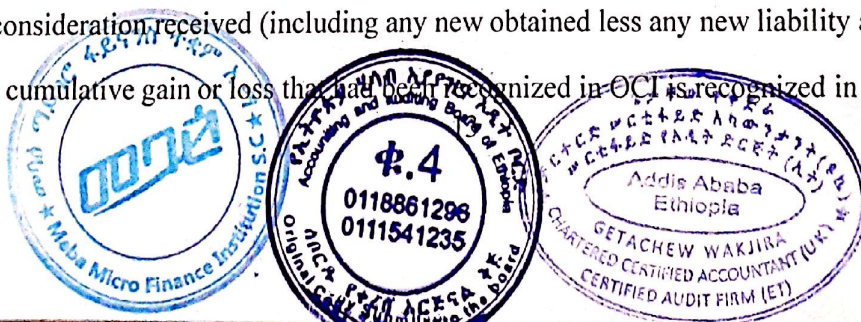
Meba Micro finance Institute measures other financial assets such as staff and sundry debtors at amortized cost method as pre the principles prescribed under IFRS 9. The other financial assets shall be presented in the statement of financial position net of any associated allowance for impairment. Allowance for impairment shall be recognized based on a simplified approach where by a provision matrix will be applied on long outstanding receivable amounts

DE recognition of financial assets

The Institution derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Institution neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On DE recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of

- (i) The consideration received (including any new obtained less any new liability assumed)
- (ii) Any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.



The Institution enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale—and—repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Institution retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Institution neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Institution continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

2.5.2 Financial liabilities

The Institution's holding in financial liabilities represents mainly deposits from customers, long term liabilities and other liabilities. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the institution designated a financial liability at fair value through profit or loss. All of the institution's financial liabilities are measured at amortized cost. The institution measure other financial liabilities at amortized cost that includes such items as, taxes payable, pension payable, accruals, unearned revenue and retention payable

Derecognition Financial Liabilities

The Institution derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.6 Impairment Policy

The Institution recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- Financial guarantee contracts issued; and — loan commitments issued. The Institution measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and



- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Institution considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Institution does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Institution expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Institution if the commitment is drawn down and the cash flows that the Institution expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Institution expects to recover.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Institution assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Institution on terms that the Institution would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Institution considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through — voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.
- Loss allowances for ECL are presented in the statement of financial position as follows:
 - financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
 - loan commitments and financial guarantee contracts: generally, as a provision;
 - Where a financial instrument includes both a drawn and an undrawn component, and the Institution cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Institution presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Institution determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write—off. This assessment is carried out at the individual asset level.



Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Institution's procedures for recovery of amounts due.

The Institution assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Institution considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's Bank.

If the Institution determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Institution considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Institution determines that the guarantee is not an integral element of the debt instrument, then it recognizes an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognized only if the guaranteed exposure neither is credit impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognized in 'other assets'. The Institution presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

The Institution considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, the Institution considered the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness. — The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfill the required criteria.



An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgments about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgment to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and advances, and held-to-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified. In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance. Loans that were subject to a collective IBNR provision were not considered impaired.

— For assets measured at amortized cost: If an event occurring after the impairment was recognized caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

— For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognized through OCI.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognized in OCI.

Impairment losses were recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognized through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended January 31, 2026
(in Ethiopia Birr)

	31-Jan-2026	30-Jun-2025
	Birr	Birr
5 INTEREST INCOME		
Interest Income on Loans	10,562,350	3,683,175
Interest income from Bank deposit	190,185	29,302
	<u>10,752,535</u>	<u>3,712,477</u>
6 INTEREST EXPENSES		
Interest Expense on client saving deposit	2,554,552	1,056,494
Interest Expense on Loan	1,176,648	17,158
	<u>3,731,199</u>	<u>1,073,652</u>
7 Fee and commission income		
Share subscription Fee	-	1,050
Service charge	1,285,740	1,162,440
Registration Fee	21,151	19,450
Income from sales of pass book	20,950	20,050
	<u>1,327,841</u>	<u>1,202,990</u>
Fee and commission expense		
Net fees and commission income	<u>1,327,841</u>	<u>1,202,990</u>
8 Other Operating Income		
Income from death Insurance	58,780	29,540
Loan loss recovery	-	-
Penalty and Other Income	165,924	30,614
	<u>224,704</u>	<u>60,154</u>
9 Loan Impairment Charge		
Impairment recovery	875,764	-
Loans written off	-	-
	<u>875,764</u>	<u>-</u>
10 Salary and Other Employees Benefits		
Salary and Other Benefit Expense	4,307,250	5,499,449
	<u>4,307,250</u>	<u>5,499,449</u>
10.a. Severance & unused Leave expenses		
Leave Expenses -accrued	30,012	157,212
Severance Paid in the year	-	-
	<u>30,012</u>	<u>157,212</u>

General and administrative expenses for the years ended January 31 2026 and June 30 2025 can be presented as follows:

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Office Rent Expenses	1,484,235	1,601,460
Transportation Expenses	62,311	55,943
Advertising and Promotional Expenses	132,162	87,446
Traning Expense	11,725	4,650
Bank Service Charge	56,876	23,770
Office Supplies-Stationary	123,060	165,439
Printing Materials	126,944	171,840
Cleaning & Sanitory	12,243	16,639
Membership & license Fee Expense	141,000	89,000
Commission Expense	-	71,239
Utility /Electricity & Water	23,804	16,224
Telephone, Internet & Fax	79,446	90,465
Loding Unloading	34,650	32,478
Audit fee	-	60,000
Legal fee	57,500	40,000
Inaguration Expense	-	123,224
Penalty Expense	4,000	18,963
Cost of government service	31,811	35,324
General Assembly	307,646	311,634
Perdiem & Travel Expense	63,331	-
Maintenance Expense	8,242	5,497
Postage Expense	6,038	-
Miscellaneous	38,485	15,846
Insurance Expense	1,014	4,978
	<u>2,806,522</u>	<u>-</u>



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12 Depreciation expense for the years ended June 30 2025 and June 30 2024 can be presented as follows:

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Depreciation expense	173,468	220,372
Total depreciation expense	173,468	220,372

13 Impairment on other assets & Bank Deposit

Impairment on other assets for the years ended January 31 2026 and June 30 2025 can be presented as follows:

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Impairment Charge - other asset	-	-
Impairment allowance - Bank Deposit	-	-
Total Impairment	-	-

14 Cash on hand and bank balances

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Cash on hand	45,000	-
Cash at Bank - Saving	5,185,650	5,064,493
Block Account	187,005	1,158,050
Cash at Bank - Current	5,232,889	10,679,263
	10,650,544	16,901,806
Maturity analysis		
Current	10,650,544	16,901,806
Non-Current	-	-
	10,650,544	16,901,806

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

15 LOANS TO CUSTOMERS

Loan to customers as at 31 January 2026 and 2025 can be presented as follows:

	31-Jan-26	30-Jun-25
	Birr	Birr
Gross loans to customers		
Enterprise Loan (SME) Organization	801,217	2,105,238
Business Loans	19,187,302	9,359,556
Consumer Loan (Employee Loan) Individual	18,111,216	3,439,613
Consumer Loan (Employee Loan) Group	16,908,911	14,865,933
Consumer Loan (non-employee)	-	290,376
Housing/Construction& Renovation Loan	1,595,234	619,472
Gross loans to customers	56,603,880	30,680,187
Less : allowance for impairment losses	(894,887)	(19,123)
Net loans to customers	55,708,993	30,661,064



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Movments of the loan impairment allowance For the year ended 31 January 2026 and 30 June 2025 as follows:

	31-Jan-26	30-Jun-25
	Birr	Birr
Balance at the beginning of the year	19,123	19,123
Balance at the end of the year	894,887	19,123
Provision expense	875,764	

The following table provide information on the credit quality of the loan portfolio:
Originated loans to customers according to the agreement

	31-Jan-26	30-Jun-25
	Birr	Birr
Current and less than 90 days overdue	2,099	4,639
90 to 180 days overdue	790,005	14,484
180 to 365 days overdue	102,783	
above 365 days overdue		
Balance at the end of the year	894,887	19,123
Less : allowance for impairment losses	-	19,123
Balance at the end of the year	894,887	-

Loan to customers are collateralized by:

	31-Jan-26	30-Jun-25
	Birr	Birr
Building	113,068,465	90,500,000
Vehicle	10,063,465	27,000,000
Cash	7,654,348	3,727,100
	130,786,278	121,227,100

Reconcillations of loans to customers according to the agreement and interest rate:

	31-Jan-26	30-Jun-25
	Birr	Birr
Originated loans to customers according to the agreement	56,603,880	30,680,187
Accrued interest according to the agreement	2,994,616	977,625
Gross loans to customers according to the agreement	59,598,497	31,657,812
Gross loans to customers	56,603,880	30,680,187
Less: allowance for impairment losses	(894,887)	(19,123)
Net loans to customers	55,708,993	30,661,064

Breakdown of current and noncurrent portions can be presented

	31-Jan-26	30-Jun-25
	Birr'	Birr'
Current portion	38,243,202	19,639,973
Noncurrent portion	21,355,295	12,017,839
Total loan and advances	59,598,497	31,657,812

16 Investment

Share Investment from Ethiopian Inclusive
Finance Training & Research Institute
(EIFTRI)

	-	-
--	---	---



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Investment of MEBA MFI comprizes share purchased from Inclusive Financial Technology S.C. The balances is maintained based on amotized cost valuation as there is no clearly identified market for the instrument.

Ethiopian Inclusive Finance Training & Research Institute (EIFTRI) did not implement IFRS, investment made in Et Switch was made in the current fiscal period. Hence,Investment made in these companies is recorded at cost.

17 Other assets and prepayments

Other assets as at 31 January 2026 and June,2025 can be presented as follows:

	31-Jan-26	30-Jun-25
	Birr'	Birr'
Non Financial Assets		
Interest receivable	3,142,908	39,859
Share Receivable	10,125	10,125
Legal Receivable	70,036	-
Prepaid Rent	510,603	443,020
Inventory	355,157	133,344
Prepaid Telephon & Gmail Package	25,555	16,582
Deposit Insurance	22,547	30,000
Office Guarante	216,086	216,086
Prepaid Printing Material	-	33,750
Other Advance	620,000	-
Prepaid Insurance	11,134	-
Gross amount	4,984,151	922,767
Total other asset and Prepayment	4,984,151	922,767

Breakdown of current and noncurrent portions can be presented

	31-Jan-26	30-Jun-25
	Birr'	Birr'
Maturity analysis		
Current portion	4,144,321	767,281
Noncurrent portion	839,829.38	155,486.00
Total other asset and Prepayment	4,984,151	922,767

Impairment allowance on other assets

A reconciliation of the allowance for impairment losses for other assets is as follows:

Balance at the beginning of the year

(Reversal)/charge for the year

Balance at the end of the year

Impairment allowance for the years ended 31 January 2026 and 30 June 2025 can be presented as follows:

	31-Jan-26	30-Jun-25
	Birr'	Birr'
Specific Impairment - Bank deposit	-	-
Specific Impairment - other asset	-	-
Total specific Impairment	-	-

18 Inventory

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

	31-Jan-26	30-Jun-25
	Birr'	Birr'
Printing materials	261,300	95,355
Stationary	93,857	37,990
Total Inventory	355,157	133,344

Prepared By
Finance & Admin. Manager
Signature _____
Date: _____

Approved By *Ayes Mamo*
Chief Executive Officer
Signature _____
Date: 06/01/26

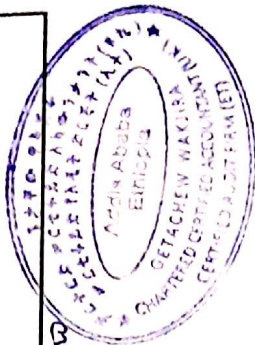
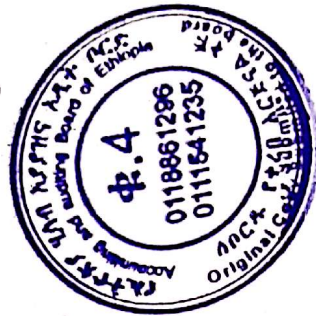


MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended 31 January 2026
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19 Property, plant and equipment

Property, plant and equipment as at 30 June 2025 and January 31, 2026 can be presented as follows:

Cost	Buildings	Motor Vehicles	Computer Equipment	Office Equipment and fittings	Furniture	Total
As at 01 July 2025						
Additions as Janu, 2026			675,800	542,700	1,282,549	2,501,049
Reclassification			415,000	259,240	422,000	1,096,240
Disposal						
As at 31 January 2026			1,090,800	801,940	1,704,549	3,597,289
Accumulated depreciation						
As at 01 July 2025						
Charge for the year			71,025	45,500	122,528	239,053
Reclassification			52,917	37,359	83,192	173,468
Impairment						
Disposals						
As at 31 January 2026			123,942	82,859	205,720	412,521
Book Value As at 30 June 2025			604,775	497,200	1,160,021	2,261,996
Book Value As at 31 January 2026			966,858	719,081	1,498,829	3,184,768



Approved By Ayob Mamo
Chief Executive Officer
Signature [Signature]
Date: 06/03/2026

Prepared By
Finance & Admin. Manager
Signature _____
Date: _____



MEBA Micro Finance Institution S.C
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	31-Jan-2026	30-Jun-2025
	Birr	Birr
Security and Compulsory Saving	8,600,195	4,117,488
Individual Voluntary Saving	4,921,021	1,697,365
Women Saving	3,590,098	5,522,210
Child & Youth Saving (MINOR) 59	197,454	139,649
Organizational Saving	530,925	393,926
Interest Free Saving	28,701	12,250
Elders Saving	187,925	212,663
Special Purpose Saving	5,982,962	2,206,893
Fixed Time Deposit	23,100,200	13,131,100
Total other liabilities	47,139,480	27,433,544

Breakdown of borrowings by current and noncurrent portions can be presented

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Current portion	5,931,383	4,153,429
Noncurrent portion	41,208,097.31	23,280,114.80
Total Deposit	47,139,480.29	27,433,544.16

21 Borrowings

Bank Term Loans

Borrowings as at 31 January 2026 and 30 June 2025 comprises

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Borrowing	11,645,012	10,000,000
Interest payable	-	-
Accrued interest	120,833	-
Total borrowings	11,765,845	10,000,000

Breakdown of borrowings by current and noncurrent portions can be presented

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Current portion	4,941,655	4,200,000
Noncurrent portion	6,824,190	5,800,000
Total borrowings	11,765,845	10,000,000

22 Other liabilities

	31-Jan-2026	30-Jun-2025
	Birr	Birr
Death Insurance premium	1,543,800	745,420
Accrued Leave Payable	173,640	157,212
Other Account Payables	42,290.00	290,164
Other Current Liabilities	-	9,350
Tax Payable	609,586	231,252
Accrued interest	1,851,808	606,901
Unknown Payable	285,884	285,884
Other Accrued Payable	9,290	141,105
	4,516,298	2,467,287



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MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended January 31 2026
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23 Share Capital

Authorised:		
34,388 Ordinary shares of 500 Birr each		
(17,194000 as of January 31,2026)	<u>17,194,000</u>	<u>17,194,000</u>

24 Earnings Per Share

Earnings per share for the year is computed by dividing the operating profit before legal reserves by the average number of shares outstanding during the year.

	<u>31-Jan-2026</u>	<u>30-Jun-2025</u>
	<u>Birr</u>	<u>Birr</u>
Profit for the year	380,864	(50,036,195)
Weighted average share	34,388	14,628,509
Earning per share	11.08	-34.43%

25 Retained Earnings

Total retained earning as at 31 January 2026 and 30 June 2025 is as follows:

	<u>31-Jan-2026</u>	<u>30-Jun-2025</u>
	<u>Birr</u>	<u>Birr</u>
At the begning of the year	(6,347,864)	(1,311,669)
Profit for the year	380,864	(5,036,195)
Capitalized to paidup capital		
Transfer to legal reserve		
Prior period adjustment		
Transfer to regulatory risk reserve		
At the end of the year	<u>(5,967,000)</u>	<u>(6,347,864)</u>

26 Taxation charge

According to the Micro Finance Proclamation No. 626/2009 Article 23, a micro finance that fully ploughs back the profit to the business activity is exempt from profit tax but if the company distributes the profit to shareholders it shall pay profit tax as any Business entity.

27 Regulatory risk Reserve

Total regulatory risk reserve as at 31 January 2026 and 30 June 2025 is as follows:

	<u>31-Jan-2026</u>	<u>30-Jun-2025</u>
	<u>Birr</u>	<u>Birr</u>
At the begning of the year	-	-
Suspended interest reinstated	-	-
At the end of the year	<u>-</u>	<u>-</u>

Regulatory risk reserve represent amount transfered from retained earnings to comply with the Natioanl Bank of Ethiopia requirment regarding interest computed on non performing loan and provisions in excess of International Financial Reporting Standard requirment.



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended January 31 2026
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28 Notes to the statement of cashflows

a) Cash used in operations

	31-Jan-2026 Birr	30-Jun-2025 Birr
Reconciliation of profit before income tax to	380,864	(5,036,195)
Profit before tax	-	-
Adjustments for non-cash items:		
Depreciation of property and equipment	173,468	220,372
Loan impairment Charge	-	-
Impairment loss on other assets	-	-
Prior year adjustment	-	-
Changes in operating assets and liabilities:		
-Decrease/ (Increase) in loans and advances	-	-
-Decrease/ (Increase) in loans and advances	(25,047,929)	(30,661,064)
-Decrease/ (Increase) in other assets	(4,061,384)	(255,198)
-Increase/ (Decrease) in customer's deposit	19,705,936	27,433,544
-Increase/ (Decrease) in other liabilities	2,049,011	475,237
	(6,800,034)	(7,823,304)

b) Cash and cash equivalents

	31-Jan-2026 Birr	30-Jun-2025 Birr
Cash in hand	45,000	-
Deposits with local banks	10,605,544	16,901,755
TOTAL	10,650,544	16,901,755

Following table details outstanding borrowings as at 30 June 2023 and 30 June 2022

	31-Jan-2026 Birr	30-Jun-2025 Birr
Loan account		
Long term Borrowing - Commercial	11,645,012	10,000,000
Interest payable	120,833	-
	11,765,845	10,000,000

Severance pay

Meba recognized severance payment plan for its employees who have served for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent years in employment to a maximum of 12 months final monthly salary.

Prepared By

Finance & Admin. Manager

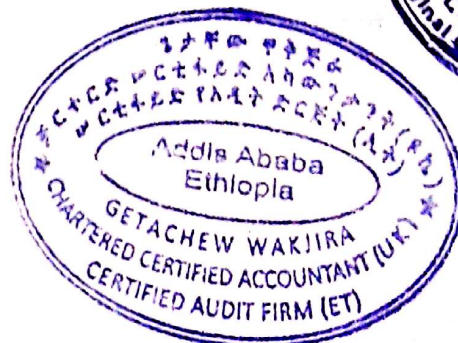
Signature _____

Date: _____

Approved By *Ayes Mamo*
Chief Executive Officer

Signature _____

Date: *06/02/2026*



MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended 31 January 2026
(in Ethiopia Birr)

29 Related party transactions

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

a Transactions with related parties

There are no staff loans and advances disbursed to key management members and outstanding for the years ended June 30,2025 and January 31,2026.

b Key management compensation

a) Parties that directly or indirectly through one or more intermediaries: control or are controlled by or are under common control with the company this includes parents subsidiaries and fellow subsidiaries; have an interest in The Organisation that gives then significant influence over The Organisation; and that have joint control over the company;

b) Members of key management personnel of the company or its parent;

c) Close members of the family of any individuals referred to in a or b;

d) Parties that are entities controlled jointly controlled or significantly influenced by or for which significant voting power in such entity resides with directly or indirectly any individual referred to in c or b;

In considering each possible related party relationship attention is directed to the substance of the relationship and not merely the legal form Details of transactions between The Organisation and other related parties are disclosed below :

Related party balances and transactions as and for the year ended 31 January 2026

June 30,2025	Board Directors	Key mamangment personnel
Borrowing	-	-
Customers deposit	537,045	-
Interest expense	13,103	-
Transport allowance	-	26,400
Salaries and other employee benefits	-	936,000
January,2026	Board Directors	Key mamangment personnel
Borrowing	-	-
Customers deposit	773,311	-
Interest expense	-	-
Transport allowance	-	15,400
Salaries and other employee benefits	-	455,000

30 Events after reporting period

In the opinion of the Mangement, there were no events in MEBA MFI as at 31 January 2026 on the profit for the period ended on that date, which have not been adequately provided for or disclosed.



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MEBA Micro Finance Institution S.C
Notes to the Financial statements
For the year ended January 31,2026
(in Ethiopia Birr)

31 Financial risk management
Introduction

As a financial institution The Organisation is exposed to risks that arise from its use of financial instruments This note describes The Organisation's objectives policies and processes for managing those risks and the methods used to measure them Further quantitative information in respect of these risks is presented throughout these financial statements Financial assets and financial liabilities that are liquid or have a short term maturity it is assumed that the carrying amounts approximate to their fair value.

Risk is inherent in the Institution's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Institutions's continuing profitability and each individual within the Institution is accountable for the risk exposures relating to his or her responsibilities. The Institution is exposed to credit risk, liquidity risk, market risk and various operating risks.

Risk management structure

Risk management is one component of all core processes of the Institution. In its day-to-day activities the institution is exposed to various types of financial risks, the most important of which are credit risk, liquidity risk, interest rate risk and operational risk.

The Institution's risk management and control is based on the following key principles:

- The board of Directors approves the risk management policies of the Institution and ensures their implementation.
- The management is responsible for implementing the policies in a manner that limits risks associated with each risk exposure.
- Appropriate and effective internal control exists to safeguard assets and to ensure compliance with relevant laws, regulations and institutional policies.
- The risk management and monitoring is supported by a management information system that supplies timely and consolidated reports on the financial conditions, operating performance and risk exposure of the Institution.

The Independent Risk Management and Compliance function is established to review compliance with the approved risk management policies and various risk related committees are established which are responsible for the implementation of the risk management policies.

The management has overall responsibility for the determination of The Organisation's risk management objectives and policies and whilst retaining ultimate responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the organisations finance function.

The overall objective of the management is to set policies that seek to reduce risks as far as possible without unduly affecting The Organisation's competitiveness and flexibility Further details regarding these policies are set out below Through its operations The Organisation is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

Risk measurement and reporting systems

The Institution'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.



Risk mitigation

Risk controls and mitigants, identified and approved for the Institution, are documented for existing and new processes and system. The Institution uses risk tolerance limit as a risk limit control. This risk tolerance limit composed of risk limit by economic sector by credit product and by maturity. There also limitations imposed by the regulatory organ which all Microfinance Institutions should comply.

As part of the credit risk mitigation which is the main identified financial risk of the Institution, an appropriate risk environment, credit policies and procedures are established. In addition, there is portfolio management, appropriate credit administration and monitoring and loan review function.

The other credit risk mitigation measures is obtaining sufficient collateral securities and guarantees for certain loan products as the second way out in case of default.

Financial instruments by category

The Institution's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables and the financial liabilities are classified into other liabilities at amortised cost.

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

30-June-2025	FVOCI	Amortized Cost	Total
Cash and cash equivalents		16,901,806	16,901,806
Loans and advances to customers (Net)		30,661,064	30,661,064
Other assets and prepayments		922,767	922,767
Investment in securities:		-	-
Financial assets at fair value through OCI	-	-	-
Total Financial asset	-	48,485,637	48,485,637

31-January-2026	FVOCI	Amortized Cost	Total
Cash and cash equivalents		10,650,544	10,650,544
Loans and advances to customers (Net)		55,708,993	55,708,993
Other assets and prepayments		4,984,151	4,984,151
Investment in securities:		-	-
Financial assets at fair value through OCI	-	-	-
Total Financial asset	-	71,343,688	71,343,688

Credit risk

Credit risk is the probability that a counterparty of the Institution will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Institution is exposed to credit risk due to activities such as loans and advances and loan commitments arising from lending activities.

Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, the Institution 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 development credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. The Institution's policy is to lend principally on the basis of the customer's repayment capacity through various evaluation. However as much as possible the institution ensure that the loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

a Probability of Default

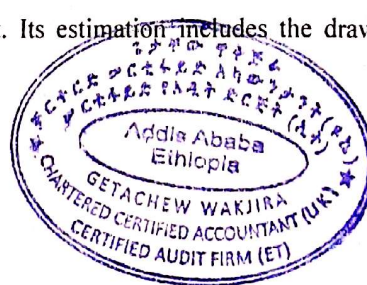
This is the probability that an obligor or counterparty will default over a given period, usually one year. This can be calculated on portfolio by portfolio basis or collectively depending on availability of historical data.

b Loss Given Default

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 utilisation of the undrawn commitment at default.



Maximum exposure to credit risk before collateral held or credit enhancements

The institution's maximum exposure to credit risk at 30 June 2025 and January 31, 2026 is represented by the net carrying amount in the statement of financial position.

	31-Jan-26	30-Jun-25
Cash and cash equivalents	10,650,544	16,901,800
Loans and advances to customers (Net)	55,708,993	30,661,064
Other assets and prepayments	4,984,151	922,767
Investment in securities:	-	-
Financial assets at amortized cost	-	-
Financial assets at fair value through OCI	-	-
Total Financial asset	71,343,688	48,485,631

Credit risk exposures relating to off balance sheets are as follow:

Loan Commitment	-	-
Total off balance sheet exposure	-	-
Total maximum exposure	71,343,688	48,485,631
Credit quality analysis		

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total	30-Jun-24
Stage 1 – Pass	2,099			2,099	
Stage 2 – Special mention		892,788		892,788	
Stage 3 - Non performing			-	-	
Total gross exposure	2,099	892,788	-	894,887	-
Loss allowance				-	
Net Carrying amount	2,099	892,788	-	894,887	-

Amounts arising from ECL

i) inputs, assumptions and techniques used for estimating impairment

ii) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Institution 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 the Institution's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- the Institution uses three criteria for determining whether there has been a significant increase in credit risk:
- quantitative test based on movement in PD;
- qualitative indicators; and
- a backlog of 30 days past due,

iii) Generating the term structure



Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Institution collects performance and default information about its credit risk exposures analyzed by type of product and borrower. The Institution employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

iv) Determining whether credit risk has increased significantly

The Institution assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Institution's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Institution's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the Institution considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Institution determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Institution monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

v) Definition of default

The Institution considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Institution in full, without recourse by the Institution to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Institution.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.



In assessing whether a borrower is in default, the Institution considers indicators that are:

- qualitative: e.g. breaches of covenant;
 - quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Institution; and
 - based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

vi) Incorporation of forward-looking information

The Institution incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information which includes economic data and forecasts, an external and independent macroeconomic data body will be considered in the forward looking information assessment. This is in addition to industry-level, semi annual NPL trends across statically comparable sectors.

The Institution has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

vii) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Institution estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Institution derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amount that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.



As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures EC considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

viii) Loss allowance

Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the forward looking model required by IFRS-9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

	31-Jan-26	30-Jun-25
Total impairment based on IFRS	(894,887)	-
Total impairment based on NBE Directives		(4,813,403)
Variation	(894,887)	4,813,403
Credit Concentration		

The Institution monitors concentrations of credit risk by economic sector. An analysis of concentrations of credit risk at 31 January 2026 and 30 June 2025.

2025 and 30 June 2025.

	31-Jan-26		30-Jun-25		
Enterprise Loan (SME) Organization	801,217	1.42%	2,105,238	6.86%	
Business Loans	19,187,302	33.90%	9,359,556	30.51%	
Consumer Loan (Employee Loan)	18,111,216	32.00%	3,439,613	11.21%	
Individual					
Consumer Loan (Employee Loan)	16,908,911	29.87%	14,865,933	48.45%	
Group					
	-	0.00%	290,376	0.95%	
Consumer Loan (non-employee)					
Housing/Construction& Renovation	1,595,234	2.82%	619,472	2.02%	
Loan					
	56,603,880	100.00%	-	30,680,187	100.00%

Nature of security in respect of loans and advances to customers

	31-Jan-26	Building	Vehicle	Share	Cash	Total
Enterprise Loan (SME) Organization		2,500,000	-	-	270,000	2,770,000
Business Loans		88,068,783	10,063,465	-	2,467,701	100,599,949
Consumer Loan (Employee Loan) In		5,000,000	-	-	1,482,276	6,482,276
Consumer Loan (Employee Loan) G		7,500,000	-	-	3,241,610	10,741,610
Consumer Loan (non-employee)		-	-	-	-	-
Housing/Construction& Renovation		10,000,000	-	-	192,761	10,192,761



<u>30-Jun-25</u>	Building	Vehicle	Share	Cash	Total
Enterprise Loan (SME) Organization	5,500,000	-	-	270,000	5,770,000
Enterprise Loan (SME) Organization	76,500,000	27,000,000	-	1,153,300	104,653,300
Consumer Loan (Employee Loan) Individual	2,500,000			420,400	2,920,400
Consumer Loan (Employee Loan) Group	-			1,773,400	1,773,400
Consumer Loan (non-employee) Housing/Construction& Renovation Loan	-			40,000	40,000
	6,000,000			70,000	6,070,000
Staff Loan	90,500,000	27,000,000	-	3,727,100	121,227,100

MARKET RISK

Market risk is the risk that the fair value of a financial instrument will decrease because of changes in market factors. Market risk arises from The Organisation's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, currency risk, and interest rates interest rate risk.

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

INTEREST RATE RISK

Interest rate risk arises from potential changes in market interest rates that can adversely affect the fair values of the financial assets and liabilities of The Organisation. This risk can arise from maturity mismatches of assets and liabilities as well as from the characteristics of such assets and liabilities.

The table below summarises The Organisation's exposure to interest rate risks. The table presents the aggregated amounts of The Organisation's interest bearing financial assets and interest bearing financial liabilities at carrying amounts as at 31 January 2025 and 30 June 2025.

	Interest variable	31-Jan-26	30-Jun-25
Asset			
Cash and balances with banks	Fixed	10,650,544	16,901,806
Loans and advances to customers	Fixed	55,708,993	30,661,064
Investment securities	Fixed	-	-
Total interest bearing financial assets		66,359,537	47,562,870
Liabilities			
Deposits from customers	Fixed	47,260,314	27,433,546
Borrowings	Fixed	11,645,012	10,000,000
Total interest bearing financial liabilities		58,905,325	37,433,546
Net interest sensitivity gap		7,454,212	10,129,324

The information about maturities of interest bearing financial assets and interest bearing financial liabilities is given in liquidity risk quantitative disclosures.

The Organisation's all interest bearing assets and liabilities are at fixed interest rates therefore market interest rate fluctuations do not affect the organisation's income or expenses.

