GASHA MICRO FINANCING INSTITUTION S.C

AUDITORS' REPORT AND ACCOUNTS

JUNE 30, 2023

ጌታቸው ዋቅጅራ	Getachew Wakjira
ቻርተርድ ሠርቲፋይድ አካውንታንት (ዩኬ)	Chartered Certified Accountant (U.K.)
ሠርቲፋይድ የኦዲት ድርጅት (ኢትዮ)	Certified Audit Firm (Eth.)
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Gasha Microfinance Institution S.C
Annual financial statements
For the period ended 30 June 2023

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Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and Auditing Board of Ethiopia
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Gasha Microfinance Institution S.C
Annual financial statements
For the period ended 30 June 2023
Corporate information

Company registration number
አአ/ንግ /9/2812/90

License number
MFI/006/1998

Directors *(As of 30 June 2023)*

W/T Lishane Siyume	Board of Director (Chairperson)	*(Appointed October 2016)*
Ato Yabowork Haile	Board of Director Secretary	*(Appointed October 2016)*
Ato Elias Tadesse	Board of Director (Member)	*(Appointed October 2016)*
Ato Edris Yona	Board of Director (Member)	*(Appointed December 2020)*
Ato Girmachew Jada	Board of Director (Member)	*(Appointed October 2016)*
W/T Abaynesh Debebe	Board of Director (Member)	*(Appointed October 2016)*

Executive management *(As of 30 June 2023)*

Ato Yabowork Haile	Genral Manger	*(Appointed September 2013)*
W/ro Makeda W/yohannes	Finance Manger	*(Appointed March 2004)*
Ato Mamo Etea	Opertations Manger	*(Appointed May 2022)*
Ato Worku Kasahun	Legal Services Advisor	*(Appointed April 2012)*

Independent auditor

Getachew Wakjera charterd Certified Accountant

P.O.Box
Addis Ababa
Ethiopia

Corporate office

Principal bankers

National Bank of Ethiopia
Commercial Bank of Ethiopia
Development Bank of Ethiopia
United Bank S.C
Cooperative Bank of Oromia
Dashen Bank S.C
Addis International Bank
Wegagen Bank

Gasha Microfinance Institution S.C
Annual financial statements
For the period ended 30 June 2023
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 Managment 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 2021, 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 Mangement 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 1960 and the relevant Directives issued by the National Bank of Ethiopia.

The Mangement 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 Mangement 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 Mangement 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 :

Accounting and auditing Board of Ethiopia
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Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

W/T Lishane Siyume
Board Chairperson

Ato Yabowork Haile
General Manager

Gasha Microfinance Institution S.C
Annual financial statements
For the period ended 30 June 2023
Report of the directors

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

Incorporation and address
Gasha was incorporated in Ethiopian Microfinancing industry in the year 1998 by local NGO, Pro Pride in order to create an attitude of self-reliance and confidnce of the rural and urban micro and small enterpreneurs by assisting them to increase their income levels through savings and credit facilities including business support services.

Principal activities
The activates of Gasha Microfinance is to provide Financial services to the rural farmers as well as micro and small scale rural and urban enterprise who have no acess to conventional banks. To empower women Gasha's has inclusive business model initiative involves women entrepreneurs in order to expand economic opportunities while creating value for Ethiopia's businesses, and society in general.

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

	30 June Birr'000	30 June 2022 Birr'000
Net interest income	23,680,499	18,231,720
Profit / (loss) before tax	5,342,129	5,115,851
Tax (charge) / credit	-	-
Profit / (loss) for the year	5,342,129	5,115,851
Other comprehensive profit / (loss) net of taxes	-	-
Total comprehensive profit / (loss) for the year	5,342,129	5,115,851

Directors

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

Addis Ababa
Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

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ሠርቲፋይድ የኦዲት ድርጅት (ኢትዮ)

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

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Mobile 0911- 21 20 87 Fa x 251-011-552 05 80 Ref. No. 375/GW/16
Addis Ababa, Ethiopia

AUDITORS' REPORT TO THE SHAREHOLDERS OF GASHA MICRO FINANCING INSTITUTION S.C ON THE ACCOUNTS OF GASHA MICRO FINANCING INSTITUTION S.C

OPINION

We have audited the accompanying financial statements of Gasha Micro Financing Institution S.C which comprise statement financial position as at June 30, 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 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 respects, the financial position of the Company as at June 30, 2023, and its financial performance and its cash flows 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significant 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; we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.

e-mail getwak611@gmail.com

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

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 394/1 of the Commercial Code of Ethiopia 2021 and we recommend approval of the financial statements.

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

Addis Ababa
November 29, 2023

Gasha Microfinance Institution S.C
Annual financial statements
For the period ended 30 June 2023
Statement of profit or loss and other comprehensive income

	Notes	30 June 2023 Birr	30 June 2022 Birr
Interest income	5	34,132,700.33	27,689,248
Interest expense	6	(10,452,201.10)	(9,457,528)
Net interest income		23,680,499.23	18,231,720
Fee and commission income	7	7,113,082.46	5,260,721
Net fees and commission income		7,113,082.46	5,260,721
Other operating income	8	5,143,579.35	3,645,019
Total operating income		35,937,161.04	27,137,460
Loan impairment charge	9	(294,740.70)	(630,350)
Impairment losses on other assets			
Net operating income		35,642,420.34	26,507,110
Personnel expenses	10	(23,402,125.91)	(15,604,945)
Depreciation and impairment of property, plant and equipment	17	(605,112.53)	(535,870)
Use right asset amortization	16	(2,216,682.93)	(1,818,637)
Other operating expenses	11	(4,076,369.92)	(3,431,807)
Profit before tax		**5,342,129.05**	**5,115,851**
Income tax expense		-	-
Profit after tax		**5,342,129.05**	**5,115,851**
Other comprehensive income (OCI) net on income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement gain/(loss) on retirement benefits obligations		-	-
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
Remeasurement gain / (loss) net of tax		-	-
		-	-
Total comprehensive income for the		**5,342,129**	**5,115,851**

The notes on pages 11 to 34 are an integral part of these financial statements.

Gasha Microfinance Institution S.C
Annual financial statements
As at 30 June 2023
Statement of financial position

	Notes	30 June 2023 Birr	30 June 2022 Birr
ASSETS			
Cash and balances with banks	12	27,789,785.94	16,978,423
Loans and receivables	13	143,057,575.08	103,642,375
Other assets	15	8,221,473.51	6,565,510
Investment	14	2,530,000.00	1,361,000
Use right assets	16	2,777,022.09	848,552
Property, plant and equipment	17	7,256,283.31	6,356,846
		191,632,140.93	**135,752,707**
LIABILITIES			
Deposits from customers	18	93,424,007.69	67,223,122
Other liabilities	19 a	5,529,187.10	3,012,019
Employee benefit (Severance)	20	5,132,733.63	3,633,352
Borrowings	19 b	51,580,744.89	33,059,457
Deferred Service Charge	19 c	2,050,487.57	1,998,148
Total liabilities		**157,717,160.88**	**108,926,097**
EQUITY			
Paidup capital and donated equity	21	26,651,254.00	20,044,954
Legal reserve		1,238,417.00	971,311
Retained earnings		5,075,022.00	4,860,057
Regulatory risk reserve		950,286.00	950,286
Total equity		33,914,979.05	26,826,608
Total equity and liabilities		**191,632,140.93**	**135,752,706**

The notes on pages 11 to 34 are an integral part of these financial statements.

The financial statements on pages 7 to 10 were approved and authorised for issue by the board of directors on and were signed on its behalf by:

W/T Lishane Siyume
Board Chairperson

Date:

Yabowork Haile
General Manager

Date:

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ET)

Accounting and Auditing Board of Ethiopia
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Gasha Microfinance Institution S.C
Annual financial statements
For the period ended 30 June 2023
Statement of changes in equity

	Notes	Paid up capital & donated Equity	Retained Earnings	Regulatory Risk Reserve	Legal Reserve	Total
		Birr	Birr'	Birr'	Birr	Birr
As at 1 July 2021		19,572,754	3,149,363	950,286	715,518	24,387,921
Profit for the period	21		5,115,850			5,115,850
Transaction with owners in their capacity as owners :						-
Transfer to regulatory risk reresrve						-
Dividend paid to Share holders			(1,749,653)			(1,749,653)
Dividend paid to Share holders	22					-
Transfer to legal reserve			(255,793)		255,793	(255,793)
Additional capital injected		472,200				472,200
Profit tax	22		(1,399,710)			(1,399,710)
		472,200	1,710,694	-	255,793	2,438,687
As at 30 June 2022		20,044,954	4,860,057	950,286	971,311	26,826,608
As at 1 July 2022		20,044,954	4,860,057	950,286	971,311	26,826,608
Profit for the period	21		5,342,129			5,342,129
Transaction with owners in their capacity as owners :						-
Dividend capitalized		4,860,058	(4,860,058)			-
Profit tax	22		(267,106)		267,106	-
Transfer to legal reserve					-	-
Additional capital injected		1,746,242	-			1,746,242
Total comprehensive income for the		6,606,300	214,965	-	267,106	7,088,371
As at 30 June 2023		26,651,254	5,075,022	950,286	1,238,417	33,914,979

The notes on pages 11 to 34 are an integral part of these financial statements.

Gasha Microfinance Institution S.C
Statement of cash flows
For the period ended 30 June 2023

	Notes Birr	30 June 2023 Birr	30 June 2022 Birr
Cash flows from operating activities			
Cash generated from operations	22	(2,637,463)	4,792,961
Dividend paid			(1,749,653)
Income tax paid		-	(1,399,710)
Net cash (outflow)/inflow from operating activities		**(2,637,463)**	**1,643,598**
Cash flows from investing activities			
Right to use an asset		(4,145,153)	
Purchase of Equity Investments	14	(1,169,000)	(89,000)
Purchase of property, plant and equipment	17	(1,504,550)	(861,590)
Net cash (outflow)/inflow from investing activities		(6,818,703)	(950,590)
Cash flows from financing activities			
Additional Capital injected		1,746,242	472,200
Additional loan received(paid)		18,521,288	-
Loan repayment		-	(9,909,108)
Lease payment		-	(515,644)
Net cash (outflow)/inflow from financing activities		20,267,530	(9,952,552)
Net increase/(decrease) in cash and cash equivalents		**10,811,362**	**(9,259,544)**
Cash and cash equivalents at the beginning of the year		16,978,424	28,874,870
Cash and cash equivalents at the end of the year	12	**27,789,786**	**19,615,326**

The notes on pages 11 to 34 are an integral part of these financial statements.

1 General information

Gasha Microfiance was established in the year 1998 G.C as a "Share Company" under the Commercial Code of Ethiopia and licensed by the National Bank of Ethiopia as a "Microfinance Institution" under Proclamation No. 626/2009, issued for licensing and supervision of micro-finance institutions.Gasha's registration office is at :

Gasha Microfiance S.C
Tel. +251(9)11240437
Email:gashamfi@gmail.co
P O Box 29249
Addis Ababa, Ethiopia

The objective of Gasha is to create an attitude of self-reliancee and confidence of the rural and urban micro and small enterpreneurs by assisting them increase their income levels through savings and credit facilities including business support services. Gasha Micro Finance Institution Share Company (GMFISC)was formally established as financial and nonfinancial service provider to the active poor in 1997. It started its operation in 1998 after obtaining its license from the National Bank of Ethiopia. GMFISC is peculiar in its formation and establishment from the majority of Ethiopian Micro Finance Institutions (MFIs).This is due to the fact that it was to become the first client owned institution in the country.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

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

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

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

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

2.2 Going concern

The financial statements have been prepared on a going concern basis. The management have no doubt that Gasha MFI 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 Gasha operates ('the functional currency'). The functional currency and presentation currency of Gasha 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 Gasha's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

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

2.4 Recognition of income and expenses

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

Gasha , earns income from interest on loans given for large group rural and urban , Individual and other. Other incomes includes sale of share ,sale of pass book, interest from bank deposit and Penality.

2.4.1 Interest and similar income and expense

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

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

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

2.4.2 Fees and commission

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

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

2.4.3 Dividend income

Dividend income is recognized when Gasha shareholders' right to receive the payment is established, which is generally when the shareholders approve and declare the dividend. Gasha classified Dividend income as other income

2.5 Financial instruments - initial recognition and subsequent measurement

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

2.5.1 Financial assets

Initial recognition and measurement

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

Subsequent measurement

Gasha has applied IFRS 9 and classify its financail asset in the following measurement catatogy:
1. Amortized cost,
2. fair value through profit and loss (FVTPL), and
3. fair value through Other Comprehensive Income (FVOCI) as per the business model option.

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

Fair value through Other Comprehensive Income(FVTOCI): Gasha measure its financial asset with FVTOCI when the asset is held whose objective is held both collecting cash flow and selling financial asset

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

Business model Assesment

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

Financial assets at amortized costs

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest and similar income in income statement. The losses arising from impairment are recognized in income statement in loan impairment charge. Gasha' loans and receivables comprise of loans and advances to customers.

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortized cost

At each reporting date Gasha assess whether there is objective evidence that the financial asset are impaired for financial asset measured at amortized cost(loan and recivable). Gasha measure its impairement of financial asset based of expected credit loss (ECL) as follows: i) Financial asset that are neither past due nor impaired(stage -1): Gasha shall consider 0 to 30 days past due accounts as performing asset and interest revenue is considered on gross carrying amount.
ii) Financial asset that are past due but not impaired(stage 2):Loss allowance is recognized in the amount of lifetime expected credit loss, and when the credit risk of the certain financial assets significantly increased and the resulting credit quality is not low risk. Hence at this stage, in addition to assessed future potential risks that significantly increase impairment shall consider 31 to 90 days past due loans assets and the interest revenue be recognized on the gross carrying amount
iii) Impaired loan(stage 3) : A financial asset shall be consdered as credit imapired when one or more events that determine on future cash flow of the financial asset existed and Gasha considered 91 to 365 days past due loan as impaired loan and interest revenue is considered on net outstanding amount.
iv) Total loss loan:Gasha consider loans that past due >365 as total loss and impaired loan loan and interest revenue is considered on net outstanding amount. The followning are evidenced that a financial asset is imapired
a) Breach of contract such as a default or past due event
b) The restructuring of a loan on terms
c) It is becoming probable that the borrower will enter bankruptcy
d) Displacement of clients due to natural and human effects
For financial assets carried at amortised cost (such as loans and receivables), Gasha assesses collectively whether objective evidence of impairment exists for financial assets that are not individually significant, or collectively for financial assets that are not individually significant. If Gasha determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets

that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of Gasha's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics.

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

Collateral valuation

Gasha seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as House, ,Vehicle, Salarly and Compulsary Saving for loan disbersed .The fair value of collateral is generally assessed, at a minimum, at inception and based on Gasha reporting schedule. Assets collateral pledged to loans are registered by respective city administrative municipality

Collateral recover

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

2.5.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. Gasha's financial liabilities include customer's deposit, Borrowings and other short term and long term liablities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

Financial instruments issued by Gasha, that are not designated at fair value through profit or loss but are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in Gasha having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset.

After initial measurement, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Financial liabilities carried at amortised cost comprise of customer deposits ,Commercial borrowing, and other.

Derecognition of financial liabilities

Financial liablites are derecognised when the contractual rights to receive the cash flows from these liabliites have ceased to exist or the libality have been transferred and substantially all the risks and rewards of ownership of the liablities are also transferred (that is, if substantially all the risks and rewards have not been transferred). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where Gasha has 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Gasha or the counterparty.

2.6 Cash and cash equivalents

Cash and cash equivalent comprises cash on hand and on demand deposit with short term highly liquid financial asset that are subject to insignificant risk of change in value and are used by the entity in the management of its short term obligation. Cash and cash equivalent comprises cash at bank, petty cash and voluntary saving fund. Cash and cash at bank are carried at nominal value, which corresponds to their fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and cash at

2.7 Property, plant and Equipment

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

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

1. If the carrying amount (CA) increases:treats as other comprehensive income under the heading "Revaluation surplus".

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

Asset category	Depreciation rate
Buildings	2%
Furniture	10%
Equiment	10%
Motor vehicles	7%

Useful life of the revalued assets; buildings is 38 years and Vehicles are 10 Years .

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

2.8 Intangible assets

An intangible asset is an identifiable non-monitory asset without physical substance and controlled by the entity and is expected to prove a future economic benefit for Gasha. 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.

Gasha can be measured intangable asset at cost less accumulated amortization using a straight-line method and shall be recognized in profit and loss. Subsequent expenditures on software shall be capitalized only when it increases the future economic benefits of the asset. All other repair and maintenance costs are recognized in profit and loss during the financial period. 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.

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

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired

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2.10 Impairment of non-financial assets

Gasha assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Gasha estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Gasha bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of Gasha's cash generating unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, Gasha estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.11 Other assets

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

(a) *Prepayment*

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

(b) *Other receivables*

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

Gasha's other receivables includes advance to staff (for travel, work, purchase and staff loan.

2.12 Fair value measurement

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

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

The principal or the most advantageous market must be accessible to Gasha.

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.

Gasha uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, Gasha determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.13 Employee benefits

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

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(a) *Short tem employee benefit*

Gasha operates short term benefit that is expected to be settled wholly within 12 months after the end of the period in which the employee renders the related service. Gasha has a short term benefit such as salary, wage and other that shall be paid on service delivery. Other short term benefits like insurance (money and fedality) are contractually transferred to the managing insurance company upon payment of annual premium.

(b) *Post employement*

Defined contribution plan

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

Defined benefit plan

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

(c) *Termination benefits*

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

(d) *bonus plans*

Gasha recognises a liability and an expense for bonuses and incentive and recognized as an expense on payment or accrued based on realized performance report that shall be paid shortly.

Provisions

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

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

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

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

2.15 *Investement property*

Investment property is land or a building or part of a building or both held by the Gasha or by the lessee under a finance lease to earn rentals or for capital appreciation or both. Gasha's investment property is a building that is leased to a third party, share purchased from companies and others.Investment property is initially measured at cost unless it is transferred from another category in the statement of financial position.The cost includes the purchase price and any directly attributable expenditure like legal fees or professional fees, property taxes and others. Subsequent to initial recognition,Gasha should measure investment property using a fair value method. No depreciation is calculated for investment properties but gains or losses arising from changes in the fair value of investment property must be included in the profit or loss account for the period in which it arises and income earned from investment property is recognized as other non-operating income

De-recognition of investment property

An investment property shall be derecognized or eliminated from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

2.16 *Inventory*

Gashas' inventory deals with materials or supplies to be consumed/used in the process of rendering services. Inventories are recognized from the date that the entity takes the risk and reward of ownership of the inventory and shall be measured at lower of cost and net realizable value. The cost of inventory comprises all the cost of purchase, and costs incurred in bringing the inventories to the present location and condition. The cost of inventory should be assigned based ona first-in, first-out (FIFO) method of measurement.The followings are the major inventors of Gasha; printing material, Stationary material , Office supplies, and others. Expense is recognized upon the utilization of the inventory. When an adjustment is required to the quantity of the inventory or obsolescence in use, there should be a plus or minus recognition to the period expense account.

2.17 **Leases**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Finance lease: Leases of assets where the entity has transferred substantially all the risks and rewards to ownership are classified as finance leases. Initially finance lease should be recorded as an asset and liability at the lower of the fair value of the asset. Lease assets should be depreciated over the life of the asset or over the shorter of the lease term.

Operating lease: Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases are charged to profit or loss.

IFRS 16_leases was issued in January 2016 (Effective 1 January 2019) . It sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Gasha has initially adopted IFRS 16 from 1 July 2019. The standard eliminates the classification of leases as either operating leases or finance leases under IAS 17 and introduces a single lease accounting model that requires lessees to recognize assets and corresponding liabilities. Due to the transition method chosen by Gasha in applying IFRS 16, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

It also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. The effect of initially applying IFRS 16 is mainly attributed to:

_ An increase in non-current assets as obligations to make future payments under leases previously classified as an operating lease were recognized on the balance sheet, along with the corresponding asset: right-of-use asset.

_ Expenditure on operation has decreased and finance cost have increased, as operating lease costs have been replaced by depreciation and interest expense on lease liabilities.

The adoption of IFRS 16 requires Gasha to make a number of assumptions, estimations and judgments that includes:
_ lease liabilities were determined based on the value of the remaining lease payments, discounted by an appropriate incremental borrowing rate.
_ term of each arrengment was based on the original lease term.
_ The discount rate used to determine lease liabilities was Gasha's incremental borrowing rate. It was calculated based on observable inputs

At the commencement date, Gasha recognized:
_ all leases as right right-of-use-asset at cost. Cost of right-of-use asset includes the amount of lease liability, lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to be incurred by Gasha in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

_ a lease liability at the present value of the lease payments that are not paid at that date. Present value of lease payments will be determined by discounting future lease payments at the interest rate implicit in the lease arrangement, if it is readily determined or at Gasha's incremental borrowing rate.

After the commencement date, Gasha masures:
_ right-of-use assets using cost model, i.e. cost at initial recognition less accumulated Amortization (in line with IAS 16: Property, plant and Equipment) and accumulated impairment losses (in line with IAS 36: Impairment of Assets).
_ lease liability by increasing its carrying amount to reflect interest on the lease liability and by reducing its carrying amount to reflect lease payments made.

Gasha as a lessor

Leases where Gasha does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3 Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to Gasha's exposure to risks and uncertainties includes:
• Capital management Note 4.6
• Financial risk management and policies Note 4.1
• Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

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

Estimates and assumptions

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

3.2 *Impairment losses on loans and advances*

Gasha reviews its loan portfolios for impairment on an on-going basis. Gasha first assesses whether objective evidence of impairment exists collectively for financial assets that are not individually significant. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.
Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.
The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of Gasha impairment charge on financial assets are set out in the Financial risk management section. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that Gasha is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that an asset may be impaired, Gasha considers the following indications:

(i) External information
•there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
•significant changes with an adverse effect on Gasha have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which Gasha operates or in the market to which an asset is dedicated.
•market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(ii) Internal information
•evidence is available of obsolescence or physical damage of an asset.
•significant changes with an adverse effect on Gasha have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
•evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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		30 June 2023	30 June 2022
		Birr	Birr
5	**Interest income**		
	Interest on Group Loan	12,521,052.22	9,550,615
	Interest on Special / Individual Loan	20,165,207.57	16,334,792
	Interest on Consumption Loan	1,289,363.62	1,695,153
	Interest on Staff Loan	157,076.92	108,689
		34,132,700.33	27,689,248

6	**Interest expense**	Birr	Birr
	Interest on client savings	5,561,162.63	4,879,442
	Interest on Commercial borrowing	4,891,038.47	4,578,086
		10,452,201.10	9,457,528

7	**Net fees and commission income**		
	Fee and commission income	Birr	Birr
	Service Charge	7,113,082.46	5,260,721
	Net fees and commission income	7,113,082.46	5,260,721

			30 June 2022
8	**Other income**	Birr	Birr
	Membership Fee	68,866.91	28,590
	Insurance	562,743.46	395,766
	Bad debt collected	1,243,962.49	490,916
	Other operating Income	1,815,283.72	1,023,411
	Other non-operating Income	1,452,722.77	1,706,336
		5,143,579.35	3,645,019

9	**Loan impairment charge**	Birr	Birr
	Loan loss Impairment Expense	(294,740.70)	630,350

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10 Personnel expenses	**Birr**	**Birr**
Short term employee benefits :		
Salary and wage Expense	15,801,052.78	11,542,842
Allowance	1,760,454.65	1,074,210
Provident fund expense	158,244.75	607,368
Severance Expense	1,537,468.73	1,046,205
Annual leave	17,023.63	113,047
Other employee benefit	2,229,404.46	721,077
Pension costs	1,348,145.47	500,195
Bonus	550,331.44	-
	23,402,125.91	15,604,945

		30 June 2022
11 Other operating expenses	**Birr**	**Birr**
Advertisement Expense	36,052.58	63,965
Subscription of newspaper	10,950.00	10,050
Bank Charge	44,980.96	72,647
Cleaning and Supplies Expense	22,191.36	36,316
Refreshment and Entertainment	137,976.76	97,264
Insurance Expense	96,984.91	55,734
Audit fee	39,100.00	39,100
Legal fee	80,236.10	121,773
License fee	72,754.50	-
Membership fee	142,452.28	31,748
Maintenance and Repair Expense	238,327.68	528,722
Motor Vehicle inspection and Circulation	20,465.77	48,579
Perdium and Traviling Expense	510,798.58	171,250
Fuel and Lubricant Expense	424,376.72	195,505
Stationary and Printing Expense	951,457.71	495,007
Communication Expense	275,377.34	234,585
Taxi fare	219,666.89	132,899
Utility Expense	48,435.55	23,623
Board Allowance	19,000.00	27,000
Penality Expense	3,583.75	218,602
Miscellaneous Expense	681,200.48	827,439
	4,076,369.92	3,431,807

12 Cash and balances with banks	**30 June 2023**	**30 June 2022**
	Birr	**Birr**
Cash in hand	2,000.00	112,172
Cash at Bank	27,787,785.94	16,866,251
	27,789,785.94	16,978,423

Maturity analysis

	30 June 2022 Birr	30 June 2022 Birr
Current	27,789,786	16,978,423
Non-Current	-	-
	27,789,786	16,978,423

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

	30 June 2023 Birr	30 June 2022 Birr
13 Loans and receivables		
Group Guaranted Loan	72,848,287	48,025,134
Special Loan	69,622,693	53,579,613
Consumption Loan	3,930,114	5,086,407
Gross amount	146,401,093.78	106,691,153
Less: Impairment allowance (note 16a)	(3,343,519)	(3,048,778)
	143,057,575	103,642,375

13a Impairment allowance on loans and receivables

A reconciliation of the allowance for impairment losses for loans and receivables by class, is as follows

Collective allowance for impairment	As at 1 July 2021 Birr	Charge for the year Birr	As at 30 June 2022 Birr	Charge for the year Birr	As at 30 June 2023 Birr'
Impairment Loss	(2,418,428)	(630,350)	(3,048,778)	(294,741)	(3,343,519)
Bad debt collected	-		-		-
	(2,418,429)	(630,350)	(3,048,778)	(294,741)	(3,343,519)

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	30 June 2023 Birr	30 June 2022 Birr
14 Investment		
Share investment	2,530,000	1,361,000
	2,530,000	1,361,000

Investment of Gasha compirizes share purchased from Addis International Bank S.C and AOD/ Financial Technology S.C .

	30 June 2023 Birr	30 June 2022 Birr
15 Other assets		
Financial assets		
Staff Loan	5,391,087	4,712,669
	5,391,087	4,712,669
Other financial assets		
Prepayments	242,425.59	147,820
Inventories (See 15Q below)	501,813.93	126,206
Accrued interest	430,900.84	177,370
Sundary Debtors	1,655,245.81	1,401,444
	2,830,386.17	1,852,840
Less :		
Impairment allowance on other assets		
Gross amount	8,221,474	6,565,510

Maturity analysis	30 June 2023 Birr	30 June 2022 Birr
Current	8,221,474	6,565,510
Non-Current		
	8,221,474	6,565,510

15a Inventory

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

	30 June 2023 Birr	30 June 2022 Birr
Printed materials	419,863	101,276
Stationary materials	73,239	24,930
Supplies	8,712.25	
	501,814	126,206

16 Right of use asset	30 June 2023 Birr	30 June 2022 Birr
Cost		
Balance brought forward	4,624,876	4,109,232
Additions	4,145,153	515,644
	8,770,029	4,624,876
Accumulated amortization		
Balance brought forward	(3,776,324)	(1,957,687)
Additions	(2,216,683)	(1,818,637)
	(5,993,006)	(3,776,324)
Book value	2,777,022	848,552

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	Building	Motor Vehicles	Motor Cycles and Bicycles	Office Equipment	Office Furniture	Other	Total
	Birr	Birr	Birr	Birr	Bir	Bir	Birr
17 Property, plant and equipment							
Cost:							
As at 1 July 2021	3,493,597	2,494,000	672,972	1,841,595	962,038	209,905	9,674,106
Additions				303,843	557,747		861,590
Disposals		(280,000)		(31,336)	(15,599)		(326,935)
Adjustment			1	(73,038)	(8,005)	(209,905)	(290,947)
As at 30 June 2022	3,493,597	2,214,000	672,973	2,041,065	1,496,180	-	9,917,814
Additions				1,105,500	399,050		1,504,550
Disposals							
Adjusment							
As at 30 June 2023	3,493,597.00	2,214,000.00	672,973.44	3,146,564.63	1,895,229.98	-	11,422,364.05
Accumulated depreciation							
As at 1 July 2021	(367,748)	(741,892)	(672,762)	(960,401)	(462,225)	-	(3,205,028)
Charge for the year	(91,937)	(194,467)	(110) -	157,208.81	(92,148)		(535,870)
Adjustment	(91,936)	(69,161)	(1)	102,723	(3,781)		(62,156)
Disposals		195,161	-	31,336	15,589		242,086
As at 30 June 2022	(551,620)	(810,360)	(672,873)	(983,551)	(542,564)	-	(3,560,968)
Charge for the year	(91,937)	(180,933)	-	181,125.36	(151,117)		(605,113)
Adjustment							-
Disposals							-
As at 30 June 2023	(643,557)	(991,293)	(672,873)	(1,164,677)	(693,681)	-	(4,166,081)
Net book value							
As at 30 June 2022	2,941,976	1,403,640	100	1,057,512	953,616	-	6,356,846
As at 30 June 2023	2,850,040	1,222,707	100	1,981,888	1,201,549	-	7,256,283

		30 June 2023 Birr	30 June 2022 Birr
18	**Deposits from customers**		
	Compulsary Savings	42,546,418.22	31,529,201
	Voluntary/Demand Savings	50,877,589.47	35,693,921
		93,424,007.69	67,223,122

		30 June 2023 Birr	30 June 2022 Birr
19	**Liabilities**		
19 a	**Other liabilities**		
	Saving interest Payable	680,378.85	637,307
	Income taxe, incomet tax onsaving ,dividend, withhold tax Pa	584,713.66	352,812
	Audit fee	39,100.00	131,100
	Lease Obligation	1,345,006.68	689,497
	Other payable	2,879,987.91	1,201,304
		5,529,187.10	**3,012,019**
19 b	**Borrowings**		
	Development Bank of Ethiopia	27,253,564.49	19,289,113
	Cooperative bank of Oromia	17,327,180.40	10,727,230
	Wegagen Bank Loan	7,000,000.00	3,043,114
		51,580,744.89	**33,059,456.76**
19 c	Deferred income		
	Deferred Service Charge	2,050,487.57	1,998,148
		2,050,487.57	**1,998,148**
	Gross amount (18+19a+b+c)	**152,584,427.25**	**105,292,745**

Maturity analysis	30 June 2023 Birr	30 June 2022 Birr
Current	150,918,768.80	76,535,849
Non-Current	1,665,658.45	28,756,896
	152,584,427.25	105,292,745

		30 June 2023	30 June 2022
		Birr	Birr
20	**Defined benefit liability**		
	Defined benefits liabilities:		
	Severance pay	5,132,733.63	3,633,352
	Liability in the statement of financial position	**5,132,733.63**	**3,633,352**
	Income statement charge included in personnel expenses:		
	Severance costs	1,787,365.66	1,046,205
		1,787,365.66	**1,046,205**

Severance cost charged in the income statement is recognized under personnel expenses based on service year and current salary of the employee.

Maturity analysis	30 June 2023	30 June 2022
	Birr	Birr
Non-Current	5,132,734	3,633,352
	5,132,734	3,633,352

Severance pay

Gasha recognized severance payement 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 in employment to a maximum of 12 months final monthly salary.

		30 June 2023	30 June 2022
21	**Equity**	Birr	Birr
	Opening Paid Up Capital	10,000,000	9,527,800
	Additioal capital raised	6,606,300	472,200
	Total Paid up capital	16,606,300	10,000,000
	Donated Equity	10,044,954	10,044,954
	Total Capital	**26,651,254**	**20,044,954**

		Notes	30 June 2023 Birr	30 June 2022 Birr
22	**Cash generated from operating activities**			
	Profit before tax		5,342,129	5,115,851
	Adjustments for non-cash items:			
	Depreciation of property, plant and equipment	17	605,113	535,870
	Amortization		2,216,683	1,818,637
	Gain/(Loss) on disposal of property, plant and equip	22a	-	84,849
	Adjustment to property, plant and equipment		-	(277,251)
	Deffered service charge		52,339	(188,478)
	Loan impairment charge		294,741	630,350
	Employee benefit (Severance)	20	1,537,469	802,421
	Changes in working capital:			
	-Decrease/ (Increase) in loans and advances to custo	13	(39,709,940)	(16,398,733)
	-Decrease/ (Increase) in other assets	15	(1,655,964)	(1,752,218)
	-Increase/ (Decrease) in other liabilities	19 a	2,517,169	(124,744)
	-Increase/ (Decrease) in deposits from customers	18	26,200,886	14,546,407
			2,637,465	4,792,961

22a In the statement of cash flows, profit on sale and adjustment of property, plant and equipment (PPE) comprise:

	30 June 2023 Birr	30 June 2022 Birr
Proceeds on disposal	-	-
Net book value of property, plant and equipment disposed (N	-	-
Loss on disposal	-	-

23 Related party transactions

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

	30 June 2023 Birr	30 June 2022 Birr
23a *Transactions with related parties*		
Staff loan disbursed to : General Manager	308,994	432,591
	308,994	432,591

23b *Key management compensation*

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

	30 June 2023 Birr	30 June 2022 Birr
General Manager Salaries and other short-term employee benefits	865,896	658,527
Post-employment benefits	-	-
Termination benefits	-	-
Sitting allowance (GM/Representation Allowance)	116,904	
Board allowance	19,000	27,000
	1,001,800	685,527

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

24 Directors and employees

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

	30 June 2023 Number	30 June 2022 Number
Professionals and High Level Supervisors	12	10
Semi-professional, Administrative and Clerical	14	13
Technician and Skilled	90	86
	116	109

ii) The table below shows the number of employees (excluding directors), who earned over Birr 5000.00 as emoluments in the year and were within the bands stated.

	30 June 2023	30 June 2022
	Birr	Birr
2,000-4,500	15	25
4,5001-10,000	56	55
10,001 - 20,000	34	24
Above 20,000	11	5
	116	109

25 Deferred income tax

25 a Current income tax liabilities

As the Institution pays dividend to shareholders occasionally, the profit tax is paid to tax authority accordingly as per requirement of the law. The Institution calculates current tax payable amount when the management decides to pay dividend for the year and at that point the Institution adds back depreciation expense and severance pay recognized for financial reporting purpose and then deducts depreciation for tax purpose and severance actually paid. Hence, any difference that is created due to adding back and deducting depreciation and severance expenses is adjusted against deferred income tax balances shown below.

25 b Deferred income tax

Deferred taxation is calculated on all temporary differences using the enacted principal tax rate of 30%. The temporary difference is a result of difference in tax base which arised from revaluation of PPEs and difference in tax rates of depreciation of property plant and equipment and difference in accounting for pre-operational expenditure and post-employment benefit obligation for financial reporting and tax purpose.

	2023	2022
	Birr	Birr
Net Book Value of Non-current assets	(7,256,283)	(6,356,846)
Tax base	3,142,511	3,142,511
Temporary difference	(4,113,772)	(3,214,335)
Severance pay	5,132,734	3,633,352
Total Temorary difference	1,018,961	419,017
Deferred Tax @ 30%	**305,688**	**125,705**
Deferred tax brought forward	(125,705)	(148,691)
Total deferred tax movement during the year	**[illegible]31,394**	**274,396**

Details of deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L) and in equity or other comprehensive income are attributable to the following items:

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IFRS financial statements
For the period ended 30 June 2023
Notes to the financial statements

Deferred income tax assets/(liabilities):

	At 1 July 2022 Birr	Credit/ (charge) to P/L Birr
Property, plant and equipment	(964,300)	-
Post employment benefit obligation	1,090,006	-
Total deferred tax assets/(liabilities)	**125,705**	-

26 Events after reporting period

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

27 Comparative figures

Some of the previous year figures have been reclassified to make them comparable with current year presentation.

28 Recovery Rate

Loan Outstanding June 30,2022	106,691,153
Disbursement During the year	141,616,574
Loan Outstanding as at June 30,2023	146,401,094
Total Collection	101,906,633
Write off June 30,2022	-
Principal Past due	2,715,801
Total Principal due	101,906,633
Recovery Rate	**97.40%**

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Recovery rate= (Amount collected during the period)
due+Amount
written off)x100%

Recovery rate= 101,906,633
(101,906,633 + 2,715,800.64+0)*100%

Recovery rate= 97.40%

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