

**GASHA MICRO FINANCE SHARE COMPANY**

**AUDITORS' REPORT AND ACCOUNTS**

**JUNE 30, 2024**

*ጌታቸው ዋቅጅራ*

*Getachew Wakjira*

*ቻርተርድ ሠርተፋይድ አካውንታንት (ዮኪ)*

*Chartered Certified Accountant (U.K.)*

*ሠርተፋይድ የአዲት ድርጅት (ኢትዮ)*

*Certified Audit Firm (Eth.)*

*ስልክ 0115-15-78-06*

*TEL. 011-515 78 06*

*ሞባይል 0911 -21-20-87*

*Mobile 0911- 21 20 87*

*ፋክስ 251-011-552-05-80*

*FAX 251 - 011- 552 05 80*

*ፓ.ሣ.ቁ. 40418*

*P.O. Box 40418*

*አዲስ አበባ፣ ኢትዮጵያ*

*Addis Ababa, Ethiopia*

**E-mail [getwak611@gmail.com](mailto:getwak611@gmail.com)**

**Gasha Microfinance Institution S.C**  
**For the period ended 30 June 2024**  
**Contents**

---

Corporate information	1
Report of the directors	2
Statement of directors' responsibilities	3
Independent auditor's report	4-5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10-45



# **Gasha Microfinance Institution S.C**

## **For the period ended 30 June 2024**

### **Corporate information**

---

**Company registration number**

አአ/ግግ /9/2812/90

**License number**

MFI/006/1998

**Directors (As of 30 June 2024)**

Wro Lishane Siyume  
W/T Lidya Alemayehu  
Ato Elias Tadesse  
Ato Edris Yona  
Ato Girmachew Jada  
W/T Nardos Eshetu

Board of Director (Chairperson)  
Board of Director Secretary  
Board of Director (Member)  
Board of Director (Member)  
Board of Director (Member)  
Board of Director (Member)

(Appointed October 2016)  
(Appointed July 2023)  
(Appointed October 2016)  
(Appointed December 2020)  
(Appointed October 2016)  
(Appointed October 2023)

**Executive management (As of 30 June 2024)**

Ato Yabowork Haile  
W/ro Makeda W/yohannes  
Ato Mamo Etea  
Ato Worku Kasahun

Chief Executive Officer  
Finance Director  
Operations Director  
Legal Services Advisor

(Appointed September 2013)  
(Appointed March 2004)  
(Appointed May 2022)  
(Appointed April 2012)

**Independent auditor**

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 251-0119552 05 80  
P.O.Box 40418  
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**

## **For the period ended 30 June 2024**

### **Report of the directors**

The directors submit their report together with the financial statements for the period ended 30 June 2024, to the stock 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 confidence of the rural and urban micro and small entrepreneurs by assisting them to increase their income levels through savings and credit facilities including business support services.

#### **Principal activities**

The activities 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 access 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 2024 are set out on page 6. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	<b>30 June 2024</b>	<b>30 June 2023</b>
	<b>Birr</b>	<b>Birr</b>
Net interest income	32,283,927	23,680,499
Profit / (loss) before tax	9,686,872	5,342,129
Tax (charge) / credit	-	-
Profit / (loss) for the year	9,686,872	5,342,129
Other comprehensive profit / (loss) net of taxes	-	-
Total comprehensive profit / (loss) for the year	9,686,872	5,342,129

#### **Directors**

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



*Gasha Microfinance Institution S.C*  
**For the period ended 30 June 2024**  
*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 1960, 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:

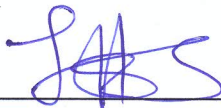
- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the National Bank to determine whether Microfinance had complied with the provisions of the Microfinance Business Proclamation and regulations and directives issued for the 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 1960 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 :



W/T Lishane Siyume  
Board Chairperson



Ato Yabowork Haile  
General Manager



ጌታቸው ዋቅጅራ  
ቻርተርድ ሠርተፋይድ አካውንታንት (ዩኤስ)  
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.

3856w/17

Addis Ababa, Ethiopia

**INDEPENDENT AUDITOR'S REPORT ON  
GASHA MICRO FINANCE SHARE COMPANY**

**OPINION**

We have audited the accompanying financial statements of Gasha Micro Finance Share Company which comprise statement 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 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 Share Company as at June 30, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**BASIS FOR OPINION**

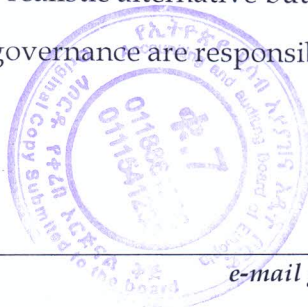
We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Factory in accordance with 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 Factory 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 Factory'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 Factory or to cease operations, or has no realistic alternative but do so.

Those charged with governance are responsible for overseeing the Factory'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.



*Getachew Wakjira*  
GETACHEW WAKJIRA

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

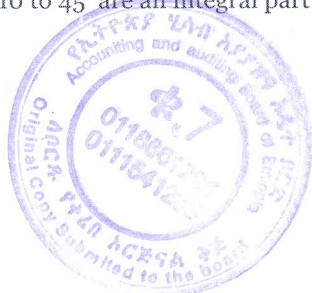
Addis Ababa  
December 9, 2024



**Gasha Microfinance Institution S.C**  
**For the period ended 30 June 2024**  
**Statement of profit or loss and other comprehensive in**

	Notes	30 June 2024 Birr	30 June 2023 Birr
Interest income	5	45,131,847.02	34,132,700
Interest expense	6	(12,847,920.38)	(10,452,201)
<b>Net interest income</b>		<b>32,283,926.64</b>	<b>23,680,499</b>
Fee and commission income	7	8,180,679	7,113,082
Fee and commission expense		-	-
<b>Net fees and commission income</b>		<b>8,180,679</b>	<b>7,113,082</b>
Other operating income	8	7,389,565	5,143,579
<b>Total operating income</b>		<b>47,854,171</b>	<b>35,937,161</b>
Loan impairment charge	9	(2,942,147)	(294,741)
<b>Net operating income</b>		<b>44,912,024</b>	<b>35,642,420</b>
Personnel expenses	10	(26,472,948)	(23,402,126)
Depreciation and impairment of property, plant and equipment	17	(683,076)	(605,113)
Use right asset amortization	16	(2,862,649)	(2,216,683)
Other operating expenses	11	(5,206,479)	(4,076,370)
<b>Profit before tax</b>		<b>9,686,872</b>	<b>5,342,129</b>
Income tax expense		-	-
<b>Profit after tax</b>		<b>9,686,872</b>	<b>5,342,129</b>
<b>Other comprehensive income (OCI) net on income tax</b>			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Remeasurement gain/(loss) on retirement benefits obligations		-	-
Deferred tax (liability)/asset on remeasurement gain or loss		-	-
Remeasurement gain / (loss) net of tax		-	-
<b>Total comprehensive income for the</b>		<b>9,686,872</b>	<b>5,342,129</b>

The notes on pages 10 to 45 are an integral part of these financial statements.

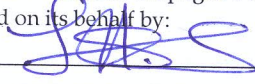


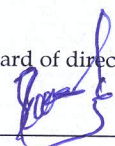
**Gasha Microfinance Institution S.C**  
**As at 30 June 2024**  
**Statement of financial position**

	Notes	30 June 2024 Birr	30 June 2023 Birr
<b>ASSETS</b>			
Cash and balances with banks	12	27,576,707	27,789,786
Loans and receivables	13	165,067,318	143,057,575
Other assets	15	9,870,116	8,221,474
Investment	14	2,572,393	2,530,000
Use right assets	16	3,078,379	2,777,022
Property, plant and equipment	17	6,795,529	7,256,283
		<b>214,960,444</b>	<b>191,632,141</b>
<b>LIABILITIES</b>			
Deposits from customers	18	107,585,776	93,424,008
Other liabilities	19 a	7,511,970	5,529,187
Employee benefit (Severance)	20	6,417,477	5,132,734
Borrowings	19 b	45,726,200	51,580,745
Deferred Service Charge	19 c	2,298,012	2,050,488
<b>Total liabilities</b>		<b>169,539,436</b>	<b>157,717,161</b>
<b>EQUITY</b>			
Paidup capital and donated equity	21	34,633,854	26,651,254
Retained earnings		8,114,107	5,075,022
Regulatory risk reserve		950,286	950,286
Legal reserve		1,722,761	1,238,417
<b>Total equity</b>		<b>45,421,007</b>	<b>33,914,979</b>
<b>Total equity and liabilities</b>		<b>214,960,444</b>	<b>191,632,141</b>

The notes on pages 10 to 45 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:

  
 \_\_\_\_\_  
**W/T Lishane Siyume**  
 Board Chairperson

  
 \_\_\_\_\_  
**Yabowork Haile**  
 General Manager

Date:



Date:



## Gasha Microfinance Institution S.C

For the period ended 30 June 2024

### Statement of changes in equity

		Notes	capital & donated Equity	Retained Earnings	Regulatory Risk Reserve	Legal Reserve	Special reserve	Total
			Birr	Birr'	Birr	Birr'	Birr'000	Birr
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
<i>Transaction with owners in their capacity as owners :</i>								
Dividend capitalized		22	4,860,058	(4,860,058)				
Profit tax		22						
Dividend paid to Share holders		22		(267,106)		267,106		
Transfer to legal reserve								
Additional capital injected			1,746,242					1,746,242
			6,606,300	214,965	-	267,106	-	7,088,371
As at 30 June 2023			<u>26,651,254</u>	<u>5,075,022</u>	<u>950,286</u>	<u>1,238,417</u>	<u>-</u>	<u>33,914,979</u>
As at 1 July 2023			26,651,254	5,075,022	950,286	1,238,417	-	33,914,979
Profit for the period		21		9,686,872				9,686,872
<i>Transaction with owners in their capacity as owners :</i>								
Dividend capitalized			5,027,300	(5,027,300)				
Additional impairment loss as per NBE				(1,088,421)				(1,088,421)
Transfer to share contribution				(47,723)				(47,723)
Adjustment								
Transfer to legal reserve				(484,344)		484,344		
Additional capital injected			2,955,300					2,955,300
Total comprehensive income for the			7,982,600	3,039,085	-	484,344	-	11,506,028
As at 30 June 2024			<u>34,633,854</u>	<u>8,114,107</u>	<u>950,286</u>	<u>1,722,761</u>	<u>-</u>	<u>45,421,007</u>

The notes on pages 10 to 45 are an integral part of these financial statements.

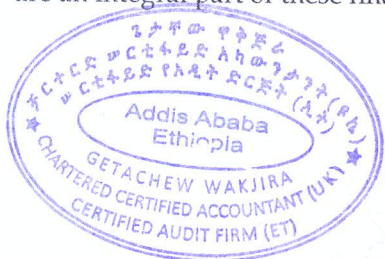


**Gasha Microfinance Institution S.C**  
**For the period ended 30 June 2024**  
**Statement of cash flows**

	Notes	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	7,722,292	(2,304,636)
Dividend paid		-	-
Adjustment on Impairment reserve		(1,136,144)	-
Income tax paid		-	-
<b>Net cash (outflow)/inflow from operating activities</b>		<b>6,586,148</b>	<b>(2,304,636)</b>
<b>Cash flows from investing activities</b>			
Purchase of Equity Investments	14	(42,393)	(1,169,000)
Addition on ROU asset		(3,164,006)	-
Purchase of property, plant and equipment	17	(693,581)	(1,504,550)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,899,981)</b>	<b>(2,673,550)</b>
<b>Cash flows from financing activities</b>			
Additional capital injected		2,955,300	1,746,242
Additional loan received		-	29,580,647
Loan repayment		(5,854,545)	(11,505,144)
Interest paid		-	(2,556,123)
Lease payment		-	(1,476,072)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(2,899,245)</b>	<b>15,789,550</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(213,080)</b>	<b>10,811,362</b>
Cash and cash equivalents at the beginning of the		27,789,786	16,978,424
Cash and cash equivalents at the end of the year	12	<u>27,576,706</u>	<u>27,789,786</u>



The notes on pages 10 to 45 are an integral part of these financial statements.



# Gasha Microfinance Institution S.C

## IFRS financial statements

### For the period ended 30 June 2024

#### Notes to the 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-reliance and confidence of the rural and urban micro and small entrepreneurs 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 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

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

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.



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

**2.2.1 Going concern**

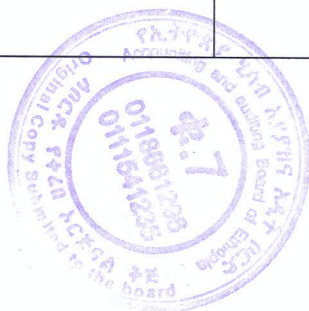
The financial statements have been prepared on a going concern basis. The management have no doubt that Gasha MFI would remain in existence after 12 months.

**2.2.2 Changes in accounting policies and disclosures**

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, and have not been applied in preparing these financial statements. Effects of these changes are assessed by the company as set out below:

Standard	Description	Effective date	Impact
IAS 16, Property plant and equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	Gasha Microfinance opted to adopt the amendments when due. But no significant change is expected.
IAS 17, Provision, contingent liabilities and contingent assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	Gasha Microfinance opted to apply the amendments when due.
IAS 41 Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	The standard is not relevant for the Gasha Microfinance's reporting purpose.
IFRS 3, Business combination	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time	The standard is not relevant for Gasha Microfinance's reporting purpose as of now. The amendments shall be considered when Gasha Microfinance gets involved in a transaction that involve business combination



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

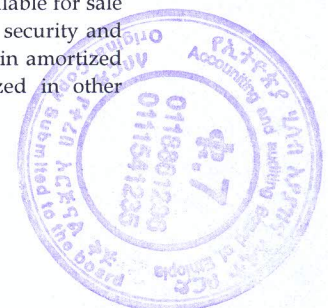
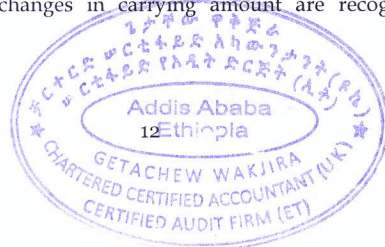
IFRS 9, Financial Instruments	The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.	Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.	Gasha Microfinance shall apply the amendments when due. The amendments are expected to have an impact on Gasha Microfinance's financial statements.
Annual Improvements to IFRS Standards 2018-2020	IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 – The amendment to Illustrative IAS 41 – The amendment removes the	The improvements are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.	Gasha Microfinance shall apply the improvements when due. The improvements are not expected to have a significant impact on Gasha Microfinance's financial statements.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	Effective for annual reporting periods beginning on or after 1 January 2023.	Gasha Microfinance shall apply the amendment when due. The amendments are not expected to have an impact on Gasha Microfinance's financial statements.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	Effective for annual reporting periods beginning on or after 1 January 2023.	Gasha Microfinance shall apply the amendment when due. The amendments are expected to have an impact on Gasha Microfinance's financial statements.

**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 comprehensive income.



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

**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 Penalty.

**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



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

**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 financial asset in the following measurement category:

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

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

**Fair value through 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 classified 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.



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

**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.

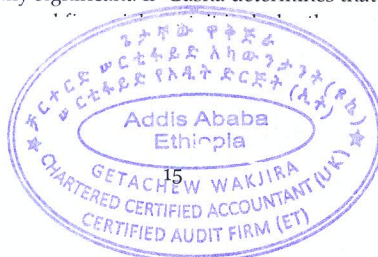
**Financial assets carried at amortized cost**

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 impairment 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 considered 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 following 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



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

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

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

**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 disbursed. 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 compulsory 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 participants could offer an action price that planning to buy the asset. Then the selling amount should be determine for covering all expenses of the procedure, pending settlement of the loan amount and the remaining shall be refunded to the owner.

**2.5.2 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 liabilities.



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

**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 liabilities are derecognised when the contractual rights to receive the cash flows from these liabilities have ceased to exist or the liability have been transferred and substantially all the risks and rewards of ownership of the liabilities 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".



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

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%
Equipment	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-monetary 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 intangible 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.



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

**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 exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

**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

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:

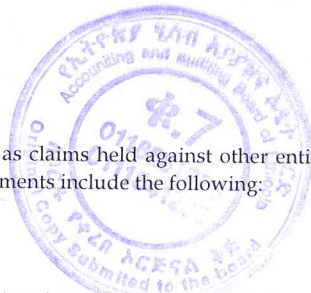
**(a) Prepayment**

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 institution 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).





**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

**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.

**(a) Short term 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 employment**

**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).



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

---

(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 Investment property**

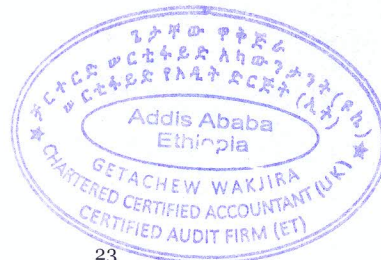
Investment property is land or a building or part of a building or both held by the Gasha or by the lessee under a finance lease to earn rentals or for capital appreciation or both. Gasha's investment property is a building that is leased to a third party, share purchased from companies and others. Investment 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 on a 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.



# Gasha Microfinance Institution S.C

## IFRS financial statements

### For the period ended 30 June 2024

#### Notes to the financial statements

#### 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 arrangement 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.



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

After the commencement date, Gasha measures:

- \_ 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

**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**

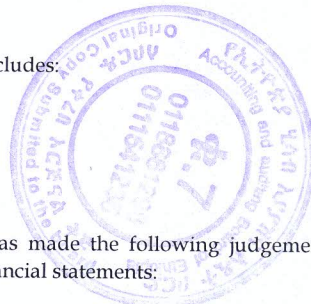
The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Gasha based its assumptions and estimates 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



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

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



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

**4 Financial risk management**

**4 Introduction**

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

**4.1.1 Risk management structure**

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

The Board has established Risk Committee, which are responsible for developing and monitoring's risk management policies.

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

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

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

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

**4.1.2 Risk measurement and reporting systems**

Gasha'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. Gasha also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

**4.1.3 Risk mitigation**

Risk controls and mitigants, identified and approved for Gasha, are documented for existing and new processes and systems. The adequacy of these mitigation using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls.



#### 4 Financial instruments by category

Gasha's financial assets are classified into the following measurement categories: available-for-sale and loans and receivables measured at amortized cost and the financial liabilities are classified at amortised cost and other payable Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

Gasha classification of its financial assets is summarised in the table below:

30 June 2024	Notes	FVTPL Birr	FVOCI Birr	Amortized cost Birr	Total Birr
Cash and balances with bank	12	-	-	27,576,707	27,576,707
Loans and receivables	13	-	-	165,067,318	165,067,318
investment in equity				2,572,393	2,572,393
Other assets	15	-	-	9,870,116	9,870,116
<b>Total financial assets</b>		-	-	<b>205,086,534</b>	<b>205,086,534</b>

30 June 2023	Notes	FVTPL Birr	FVOCI Birr	Amortized Birr	Total Birr
Cash and balances with bank	12	-	-	27,789,786	27,789,798
Loans and receivables	13	-	-	143,057,575	143,057,588
investment in equity				2,530,000	2,530,000
Other assets	15	-	-	8,221,474	8,221,489
<b>Total financial assets</b>		-	-	<b>181,598,835</b>	<b>181,598,875</b>

#### 4 Credit risk

Credit risk is the probability that a counterparty of Gasha will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. Gasha is exposed to credit risk mainly for loan and advance provide to customers and it is the major risk of the organization. Credit risk is managed through periodic analysis of the ability of borrower to determine the capacity to meet its principal and interest and it is also mitigated by obtaining collateral.

Credit management is conducted as per the risk management policy and guideline approved by the board of directors and the Risk Management Committees. Such policies are reviewed and modified periodically based on changes and expectations of the markets where Gasha operates, regulations, and other factors.

##### 4.3.1 Management of credit risk

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

In the estimation of credit risk, Gasha Microfinance Institution estimate the following parameters:

##### (a) Probability of Default

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



**(b) Loss Given Default(LGD)**

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

**(c) Exposure at Default**

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

**4.3.: Impairment assessment**

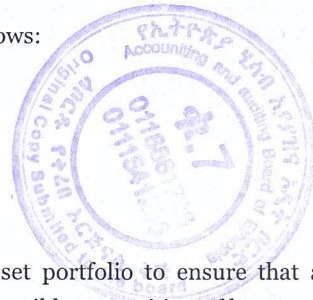
Gasha assesses its impairment for the purpose of IFRS reporting using a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as follows :

1. A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by Gasha
2. A financial instrumnet that the cridt risk significantly increased transferred to stage 2 but not deemed to credit imapired
- 3.A fanancial instrument is credit-impaired moved to ‘Stage 3’.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Gasha 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 Gasha's historical experience and expected credit risk assessment and including forward-looking information.Gasha considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative criteria have been met.The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, Gasha is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination

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

Stage	day past due
stage 1	0-30
Stage 2	31-90
Satge 3	91-365 and total loss



**(a) Individual assessment**

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

**(b) Collective assessment**

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

**(b) Collective assessment (Contd)**

Gasha generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Gasha's overall policy.

**4.3.: Credit related commitments risks**

Since Gasha could not issue any promisory doumnet to third party don't have any credit related commitements risk



#### 4.3.4 Maximum exposure to credit risk before collateral held or credit enhancements

##### (a) Types of credit exposure

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

	<b>30 June 2024</b>	<b>30 June 2023</b>
	<b>Birr</b>	<b>Birr</b>
Cash and balances with banks	27,576,707	27,789,786
Loans and receivables	165,067,318	143,057,575
Investment in equity shares	2,572,393	2,530,000
Other assets	9,870,116	8,221,474
<b>Total maximum exposure</b>	<b><u>205,086,534</u></b>	<b><u>181,598,835</u></b>

##### (b) Assets obtained by taking possession of collateral

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

	<b>30 June 2024</b>	<b>30 June 2023</b>
	<b>Birr</b>	<b>Birr</b>
Properties( Individual loan Covered 100%)	82,127,089	67,893,711
Compulsary saving( group loan)	26,912,782	22,641,123
Compulsary saving Consumption loan	1,265,012	1,547,426
<b>Collateral amount of Asset</b>	<b><u>110,304,883</u></b>	<b><u>92,082,260</u></b>

##### (c) Loans and receivables at amortised cost

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

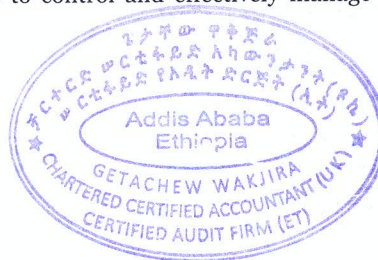
	<b>30 June 2024</b>	<b>30 June 2023</b>
	<b>Birr</b>	<b>Birr</b>
Group Guaranteed Loan	79,281,743	72,848,287
Special Loan	84,188,709	69,622,693
Consumption Loan	4,539,013	3,930,114
	<b><u>168,009,464.89</u></b>	<b><u>146,401,094</u></b>

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

	<b>30 June 2024</b>	<b>30 June 2023</b>
	<b>Birr</b>	<b>Birr</b>
Performing	150,905,457.36	133,915,128
Substandard (91-180 past due)	2,479,902.55	1,398,573
Doubtful( 181-365 Past due)	4,252,118.99	1,417,951
Loss( More than 365 past due)	2,509,287.02	2,715,801
Interest receivable	7,862,698.97	6,953,641
Less impairment	<u>(2,942,147.00)</u>	<u>(3,343,519)</u>
	<b><u>165,067,317.89</u></b>	<b><u>143,057,575</u></b>

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

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



#### 4.3.3 Credit quality analysis

##### Credit quality of loans and receivables

	Neither past due nor impaired Stage -1	Past due but not impaired Stage-2	Individually impaired stage-3	Total Loss impaired(stage-3)	Total
	Birr	Birr	Birr	Birr	Birr
<b>30 June 2024</b>					
Group Guaranteed Loan	69,609,025.18	434,154.97	1,474,847.93	1,439,797.39	72,957,825.47
Consumptioloan	3,374,686.30	5,161.99	289,592.86	171,791.93	3,841,233.08
Individual Loan	77,921,745.88	2,040,585.59	2,487,678.20	897,697.70	83,347,707.37
	150,905,457.36	2,479,902.55	4,252,118.99	2,509,287.02	160,146,765.92
<b>Gross</b>					
Less: Impairment allowance	-	(225,814)	(207,046)	(2,509,287)	(2,942,147)
<b>Net</b>	<b>150,905,457</b>	<b>2,254,089</b>	<b>4,045,073</b>	<b>-</b>	<b>157,204,619</b>
	Neither past due nor impaired Stage -1	Past due but not impaired Stage-2	Individually impaired stage-3	Total Loss impaired(stage-3)	Total
	Birr	Birr	Birr	Birr	Birr
<b>30 June 2023</b>					
Group Guaranteed Loan	70,642,430.36	613,891.93	463,746.04	1,128,218.70	72,848,287.03
Consumptioloan	2,806,310.60	110,732.53	188,644.97	824,425.71	3,930,113.81
Individual Loan	64,162,720.55	2,532,682.94	2,164,133.22	763,156.23	69,622,692.94
	137,611,461.51	3,257,307.40	2,816,524.23	2,715,800.64	146,401,093.78
<b>Gross</b>					
Less: Impairment allowance	(449,556)	(75,056)	(103,106)	(2,715,801)	(3,343,519)
<b>Net</b>	<b>137,161,906</b>	<b>3,182,251</b>	<b>2,713,418</b>	<b>-</b>	<b>143,057,575</b>

#### (b) Allowance for impairment

	30 June 2024 Birr	30 June 2023 Birr
Collective impairment	(2,942,147.00)	(3,343,519)
Total allowance for impairment	(2,942,147.00)	(3,343,519)

#### 4.3.4 Credit concentrations

Gasha monitors concentrations of credit risk by social sector. An analysis of concentrations of credit risk at 30 June 2023 and 30 June 2022. Gasha concentrates all its financial assets in Ethiopia, Addis Ababa and Oromia regional state.

	Public Enterprise Birr	Cooperative Birr	Private Birr
<b>30 June 2024</b>			
Cash and balances with banks			27,576,707
Loans and receivables			165,067,318
Investment securities:			2,572,393
- Available for sale			
- Loans and receivables			
Other assets			9,870,116
			<b>205,086,534</b>



30 June 2023	Public Enterprise Birr	Cooperative Birr	Private Birr
Cash and balances with banks	-	-	27,789,786
Loans and receivables	-	-	143,057,575
Investment securities:	-	-	2,530,000
- Available for sale	-	-	
- Loans and receivables	-	-	
Other assets	-	-	8,221,474
	-	-	<b>181,598,835</b>

#### 4.3.7 Nature of security in respect of loans and receivables

30 June 2024	Secured against Fixed asset Birr	Group Cash guarantees Birr	Individual Cash guarantees Birr	Shares Birr	Others Birr
Group Guaranteed Loan		28,177,794.16			
Consumptioloan			197,528.53		
Individual Loan	58,268,676.80		22,272,916.96		
	<b>58,268,677</b>	<b>28,177,794</b>	<b>22,470,445</b>	-	-

30 June 2023	Secured against Fixed asset Birr	Group Cash guarantees Birr	Individual Cash guarantees Birr	Shares Birr	Others Birr
Group Guaranteed Loan		22,641,029			
Consumptioloan			73,904		
Individual Loan	48,062,587		19,831,125		
	<b>48,062,587</b>	<b>22,641,029</b>	<b>19,905,029</b>	-	-

#### 4.3.8 Collateral held and their financial effect

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and Gasha generally requests that borrowers provide it. Staff loans also secured to the extent of the loan amount by salaried employee which work inside or outside Gasha MFI.

Gasha may take collateral in the form of House, Vehicle, Cash/savings and group guarantees. Gasha does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to Gasha's focus on creditworthiness, it aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

#### 4 Liquidity risk

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

The main objective of Gasha liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.



#### 4.4.1 Management of liquidity risk

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

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

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

#### 5 Market risk

Market risk is defined as the risk of loss risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market risk factors such as interest rates, foreign exchange rates, equity prices, credit spreads and their volatilities. Market risk can arise in conjunction with trading and non-trading activities of a financial institutions. Gasha does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

#### 4.5.1 Management of market risk

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

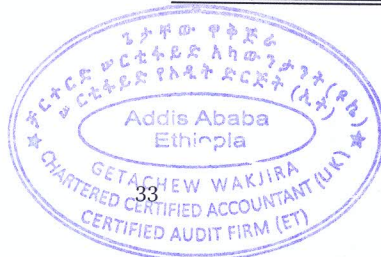
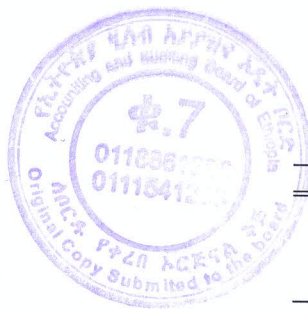
#### 4.5.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The table below sets out information on the exposures to fixed and variable interest instruments.

30 June 2024	Fixed Birr	Floating Birr	bearing Birr	Total Birr
<b>Assets</b>				
Cash and balances with banks	27,576,707			27,576,707
Loans and receivables	165,067,318			165,067,318
Other assets	987,011,93			987,011,93
<b>Total</b>	<b>202,514,141</b>	<b>-</b>	<b>-</b>	<b>202,514,141</b>
<b>Liabilities</b>				
Deposits from customers	107,585,776			107,585,776
Other liabilities	7,511,970			7,511,970
Borrowing	45,726,200			45,726,200
<b>Total</b>	<b>160,823,947</b>	<b>-</b>	<b>-</b>	<b>160,823,947</b>

30 June 2023	Fixed Birr	Floating Birr	Non-interest bearing Birr
<b>Assets</b>			
Cash and balances with banks	27,789,786		
Loans and receivables	143,057,575		
Other assets	8,221,474		
<b>Total</b>	<b>179,068,835</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>			
Deposits from customers	93,424,008		
Other liabilities	5,529,187		
Borrowing	51,580,745		
<b>Total</b>	<b>67,223,122</b>	<b>-</b>	<b>-</b>



## 5 Capital management

Gasha's objectives when managing capital are to comply with the capital requirements set by the National Bank of Ethiopia, safeguard its ability to continue as a going concern, and to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

### 4.6.1 Capital adequacy ratio

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

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

	30 June 2024 <u>Birr</u>	30 June 2023 <u>Birr</u>
<b>Capital</b>		
Capital contribution	34,633,854	26,651,254
Retained earnings	8,114,107	5,075,022
Reserves	2,673,047	2,188,703
	<u>45,421,007</u>	<u>33,914,979</u>
<b>Risk weighted assets</b>		
Risk weighted balance for on-balance sheet items	5,515,341	5,557,957
Credit equivalents for on balance sheet items	187,383,736	163,842,354
	<u>192,899,077</u>	<u>169,400,311</u>
Risk-weighted Capital Adequacy Ratio (CAR)	<b>24%</b>	<b>20%</b>
Minimum required capital	<b>12%</b>	<b>12%</b>
Excess	<b>12%</b>	<b>8%</b>

## o Fair value of financial assets and liabilities

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

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

### 4.7.1 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 Gasha's market assumptions.

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: 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 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 date 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.



#### 4.7.2 Financial instruments not measured at fair value - Fair value hierarchy

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

	Carrying amount Birr	Fair value Birr
<b>30 June 2024</b>		
<b>Financial assets</b>		
Cash and balances with banks	27,576,707	27,576,707
Loans and receivables	165,067,318	165,067,318
Other asset	9,870,116	9,870,116
Investment in equity shares	2,572,393	2,572,393
<b>Total</b>	<b>205,086,534</b>	<b>205,086,534</b>
<b>Financial liabilities</b>		
Deposits from customers	107,585,776	107,585,776
Borrowings	45,726,200	45,726,200
Other liabilities	7,511,970	7,511,970
<b>Total</b>	<b>160,823,947</b>	<b>160,823,947</b>
<b>30 June 2023</b>		
<b>Financial assets</b>		
Cash and balances with banks	27,789,786	27,789,786
Loans and receivables	143,057,575	143,057,575
Other asset	8,221,474	8,221,474
Investment in equity shares	2,530,000	2,530,000
<b>Total</b>	<b>181,598,835</b>	<b>181,598,835</b>
<b>Financial liabilities</b>		
Deposits from customers	93,424,008	93,424,008
Borrowings	51,580,745	51,580,745
Other liabilities	3,136,763	5,529,187
<b>Total</b>	<b>148,141,515</b>	<b>150,533,940</b>

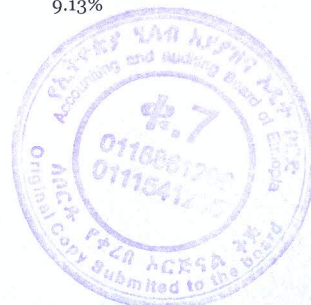
#### 4.7.3 Valuation techniques using significant unobservable inputs - Level 3

Gasha has no financial asset measured at fair value on subsequent recognition

#### 4.7.4 Estimation uncertainty in measuring impairment losses on loans and advances to customers

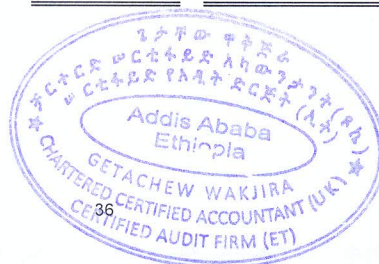
The table below sets out the information on the sensitivity of carrying amounts to the methods, assumptions and estimates used in calculating impairment losses on loans and advances for customers as at 30 June 2023 and 30 June 2022 that have a significant risk of causing a material adjustment to the carrying amounts of these assets within the next financial year, including the reasons for the sensitivity.

Types of financial instruments	Ranges of (observable input)	Fair value (Probability weighted average)			measurement	
		Group Loan	Individual Loan	Consumption Loan		
Loans and advances to customer		Probability of default			Significant increases in any of these inputs would result in lower fair values and vice versa	
	30 June 2024	Stage 1st	1.96%	1.25%		3.90%
		Stage 2nd	2.76%	1.60%		3.53%
		Stage 3rd	7.63%	7.75%		21.30%
30 June 2023		Probability of default				
	Stage 1st	1.72%	6.77%	6.37%		
	Stage 2nd	0.87%	2.82%	2.52%		
	Stage 3rd	2.52%	3.43%	9.13%		



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
<b>5 Interest income</b>		
Interest on Group Loan	18,712,566.33	12,521,052.22
Interest on Special /Individual Loan	24,991,895.05	20,165,207.57
Interest on Consumption Loan	1,245,149.56	1,289,363.62
Interest on Staff Loan	182,236.08	157,076.92
	<u>45,131,847.02</u>	<u>34,132,700.33</u>
<b>6 Interest expense</b>		
Interest on client savings	7,353,960.56	5,561,162.63
Interest on Commercial borrowing	5,493,959.82	4,891,038.47
	<u>12,847,920.38</u>	<u>10,452,201.10</u>
<b>7 Net fees and commission income</b>		
Fee and commission income		
Service Charge	8,180,679.48	7,113,082.46
	<u>8,180,679.48</u>	<u>7,113,082.46</u>
<b>8 Other income</b>		
Membership Fee	45,271.68	68,866.91
Insurance	796,595.87	562,743.46
Bad debt collected	260,859.09	1,243,962.49
Other operating Income	2,944,408.88	1,815,283.72
Other non-operating Income	3,342,429.08	1,452,722.77
	<u>7,389,564.60</u>	<u>5,143,579.35</u>
<b>9 Loan impairment charge</b>		
Loan loss Impairment Expense	<u>(2,942,147.00)</u>	<u>(294,741.00)</u>
<b>10 Personnel expenses</b>		
Short term employee benefits :		
Salary and wage Expense	17,669,629.07	15,801,052.78
Allowance	2,648,153.69	1,760,454.65
Provident fund expense	-	158,244.75
Severance Expense	1,315,567.50	1,537,468.73
Annual leave	25,706.54	17,023.63
Other employee benefit	1,333,898.79	2,229,404.46
Pension costs	1,600,143.60	1,348,145.47
Bonus	1,879,848.63	550,331.44
	<u>26,472,947.82</u>	<u>23,402,125.91</u>



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	<u>Birr</u>	<u>Birr</u>
11 Other operating expenses		
Advertisement Expense	68,172.65	36,052.58
Subscription of newspaper	11,030.00	10,950.00
Bank Charge	52,280.19	44,980.96
Cleaning and Supplies Expense	21,740.04	22,191.36
Refreshment and Entertainment	127,157.89	137,976.76
Insurance Expense	306,615.86	96,984.91
Audit fee	43,450.00	39,100.00
Legal fee	141,699.77	80,236.10
License fee	49,721.68	72,754.50
Membership fee	30,000.00	142,452.28
Maintenance and Repair Expense	502,535.07	238,327.68
Motor Vehicle inspection and Circulation	13,744.23	20,465.77
Perdium and Traviling Expense	476,743.70	510,798.58
Fuel and Lubricant Expense	492,592.41	424,376.72
Stationary and Printing Expense	912,319.05	951,457.71
Communication Expense	381,551.63	275,377.34
Taxi fare	216,351.54	219,666.89
Utility Expense	28,517.90	48,435.55
Board Allowance	47,000.00	19,000.00
Penalty Expense	8,600.00	3,583.75
Miscellaneous Expense	1,274,655.44	681,200.48
	<u>5,206,479.05</u>	<u>4,076,369.92</u>

12 Cash and balances with banks	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Cash in hand	14,800.00	2,000.00
Cash at Bank	27,561,906.94	27,787,785.94
	<u>27,576,706.94</u>	<u>27,789,785.94</u>

Maturity analysis	30 June 2024	30 June 2022
	<u>Birr</u>	<u>Birr</u>
Current	27,576,706.94	27,789,786
Non-Current	-	-
	<u>27,576,706.94</u>	<u>27,789,786</u>

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



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
<b>13 Loans and receivables</b>		
Group Guaranteed Loan	79,281,743.06	72,848,287
Special Loan	84,188,708.51	69,622,693
Consumption Loan	4,539,013.32	3,930,114
	<u>168,009,465</u>	<u>146,401,093.78</u>
Gross amount	168,009,465	146,401,093.78
Less: Impairment allowance (note 16a)	<u>(2,942,147.00)</u>	<u>(3,343,519)</u>
	<u><b>165,067,318</b></u>	<u><b>143,057,575</b></u>

**13a Impairment allowance on loans and receivables**

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

<i>Collective allowance for impairment</i>	As at 1 July 2022	Charge for the year	As at 30 June 2023	Provision (loan Written off)	Charge for the year	As at 30 June 2023
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Impairment Loss	(3,048,778)	(294,741)	(3,343,519)	3,343,519	(2,942,147)	(2,942,147)
	<u>(3,048,779)</u>	<u>(294,741)</u>	<u>(3,343,519)</u>	<u>3,343,519</u>	<u>(2,942,147)</u>	<u>(2,942,147)</u>

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
<b>14 Investment</b>		
Share investment	2,572,393	2,530,000
	<u>2,572,393</u>	<u>2,530,000</u>

Investment of Gasha comprizes share purchased from Addis International Bank S.C and AODAOE Inclusive Financial Technology S.C .



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
<b>15 Other assets</b>		
<b>Financial assets</b>		
Staff Loan	5,945,863.75	5,391,087
	<u>5,945,863.75</u>	<u>5,391,087</u>
<b>Other financial assets</b>		
Prepayments	1,163,110.69	242,425.59
Inventories	624,389.70	501,813.93
Accrued interest	1,031,589.04	430,900.84
Sundry Debtors	1,105,162.75	1,655,245.81
	<u>3,924,252.18</u>	<u>2,830,386.17</u>
<b>Less :</b>		
Impairment allowance on other assets		
	<u>9,870,116</u>	<u>8,221,474</u>
<b>Gross amount</b>	<b>9,870,116</b>	<b>8,221,474</b>
<b>Maturity analysis</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
	<u>Birr</u>	<u>Birr</u>
Current	9,870,116	8,221,474
Non-Current		
	<u>9,870,116</u>	<u>8,221,474</u>

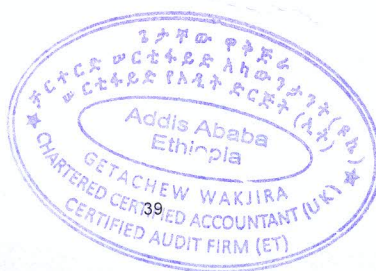
**15a Inventory**

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

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Printed materials	564,850.52	419,863
Stationary materials	50,827.13	73,239
Supplies	8,712.05	8,712.25
	<u>624,389.70</u>	<u>501,814</u>

**16 Right of use asset**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
<b>Cost</b>		
Balance brought forward	8,770,028.56	4,624,876
Deduction	(5,537,837.04)	-
Additions	3,164,006.48	4,145,153
	<u>6,396,198.00</u>	<u>8,770,029</u>
<b>Accumulated amortization</b>		
Balance brought forward	(5,993,006.47)	(3,776,324)
Deduction	5,537,837.04	-
Additions	(2,862,649.12)	(2,216,683)
	<u>(3,317,818.55)</u>	<u>(5,993,006)</u>
<b>Book value</b>	<u>3,078,379.45</u>	<u>2,777,022</u>



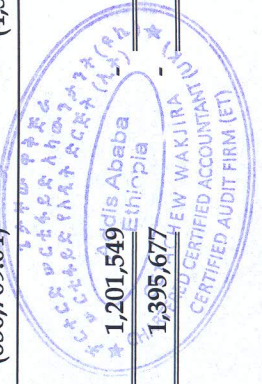
# Gasha Microfinance Institution S.C

## IFRS financial statements

For the period ended 30 June 2024

Notes to the financial statements

17 Property, plant and equipment	Building		Motor Vehicles		Motor Cycles and Bicycles		Office Equipment		Office Furniture		Other		Total	
	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr
Cost:														
As at 1 July 2022	3,493,597.00	2,214,000.00	672,973.44	2,041,064.65	1,496,179.99	-	9,917,815.08							
Additions				1,105,499.98	399,049.99									1,504,549.97
As at 30 June 2023	3,493,597.00	2,214,000.00	672,973.44	3,146,564.63	1,895,229.98	-	11,422,365.05							
Additions				333,135.01	360,446.01									693,581.02
Disposals		(550,000.00)		(66,956.57)	(29,454.39)									(646,410.96)
Adjustment		76,668.20		(199,415.14)	6,224.93									(116,522.01)
As at 30 June 2024	3,493,597.00	1,740,668.20	672,973.44	3,213,327.93	2,232,446.53	-	11,353,013.10							
Accumulated depreciation														
As at 1 July 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)							
As at 30 June 2023	(643,556.94)	(991,293.05)	(672,873.31)	(1,164,676.52)	(693,680.93)	-	(4,166,080.74)							
Charge for the year	(91,936.78)	(180,933.35)	(237,733.43)	(172,472.30)	(683,075.86)									
Adjustment		(76,658.20)	23,120.44	11,283.26	(42,254.50)									
Disposals		323,993.88	(8,167.39)	(8,167.39)	333,927.42									
As at 30 June 2024	(735,493.72)	(924,890.72)	(672,873.31)	(1,387,456.90)	(836,769.04)	-	(4,557,483.68)							
Net book value														
As at 30 June 2023	2,850,039	1,222,707	100	1,981,887	1,201,549	-	7,256,284							
As at 30 June 2024	2,758,103	815,777	100	1,825,871	1,395,677	-	6,795,529							



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
<b>18 Deposits from customers</b>		
Compulsary Savings	50,648,239.65	42,546,418.22
Voluntary/Demand Savings	<u>56,937,536.81</u>	<u>50,877,589.47</u>
	<u><b>107,585,776.46</b></u>	<u><b>93,424,007.69</b></u>
<b>19 Liabilities</b>		
<b>19 a Other liabilities</b>		
Saving interest Payable	1,091,385.86	680,378.85
Income tax, incometax on saving ,dividend, with	1,218,670.83	584,713.66
Audit fee	40,000.00	39,100.00
Lease Obligation	2,872,208.44	1,345,006.68
Other payable	<u>2,289,705.24</u>	<u>2,879,987.91</u>
	<u><b>7,511,970.37</b></u>	<u><b>5,529,187.10</b></u>
<b>19 b Borrowings</b>		
Development Bank of Ethiopia	24,743,212.27	27,253,564.49
Cooperative bank of Oromia	11,148,804.13	17,327,180.40
Wegagen Bank Loan	9,834,183.33	7,000,000.00
	<u><b>45,726,199.73</b></u>	<u><b>51,580,744.89</b></u>
<b>19 c Deferred income</b>		
Deferred Service Charge	2,298,011.71	2,050,487.57
	<u><b>2,298,011.71</b></u>	<u><b>2,050,487.57</b></u>
<b>Gross amount</b>	<u><b>163,121,958.27</b></u>	<u><b>152,584,427.25</b></u>

**Maturity analysis**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Current	115,097,746.83	98,953,194.79
Non-Current	<u>48,024,211.44</u>	<u>53,631,232.46</u>
	<u><b>163,121,958.27</b></u>	<u><b>152,584,427.25</b></u>



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
20 Defined benefit liability		
Defined benefits liabilities:		
Severance pay	6,417,477.25	5,132,733.63
<b>Liability in the statement of financial position</b>	<b><u>6,417,477.25</u></b>	<b><u>5,132,733.63</u></b>
<b>Income statement charge included in personnel expenses:</b>		
Severance costs	<u>1,315,567.50</u>	<u>1,787,365.66</u>
	<b><u>1,315,567.50</u></b>	<b><u>1,787,365.66</u></b>

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

<i>Maturity analysis</i>	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
Non-Current	<u>6,417,477</u>	<u>5,132,734</u>
	<u>6,417,477</u>	<u>5,132,734</u>

**Severance pay**

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

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
21 Equity		
Opening Paid Up Capital	16,606,300	10,000,000
Additional capital raised	<u>7,982,600</u>	<u>6,606,300</u>
Total Paid up capital	24,588,900	16,606,300
Donated Equity	<u>10,044,954</u>	<u>10,044,954</u>
<b>Total Capital</b>	<b><u>34,633,854</u></b>	<b><u>26,651,254</u></b>



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

	<u>Notes</u>	30 June 2024 <u>Birr</u>	30 June 2023 <u>Birr</u>
22	Cash generated from operating activities		
	Profit before tax	9,686,872	5,342,129
	<b>Adjustments for non-cash items:</b>		
	Depreciation of property, plant and equipment	17 683,076	605,113
	Amortization	2,862,649	2,216,683
	Adjustment & Disposal of property, plant and equ	22a 471,261	-
	Differed service charge	247,524	52,339
	Loan impairment charge	2,942,147	294,741
	Employee benefit (Severance)	20 1,284,744	1,537,469
	<b>Changes in working capital:</b>		
	-Decrease/ (Increase) in loans and advances to cus	13 (24,951,890)	(39,415,200)
	-Decrease/ (Increase) in other assets	15 (1,648,642)	(1,655,964)
	-Increase/ (Decrease) in other liabilities	19 a 1,982,783	2,517,169
	-Increase/ (Decrease) in deposits from customers	18 14,161,769	26,200,886
		<u>7,722,292</u>	<u>(2,304,636)</u>

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

Proceeds on disposal

Net book value of property, plant and equipment disposed (Note 17)

Loss on disposal



**Gasha Microfinance Institution S.C**  
**IFRS financial statements**  
**For the period ended 30 June 2024**  
**Notes to the financial statements**

**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 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
23a <i>Transactions with related parties</i>		
Manager	<u>185,396.30</u>	<u>308,994</u>
	<u>185,396.30</u>	<u>308,994</u>

**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 2024

	30 June 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
General Manager Salaries and other short-term employ	841,560.00	865,896.00
Sitting allowance (GM/Representation Allowance)	126,156.00	116,904.00
Board allowance	47,000.00	19,000.00
Other expenses (Provident fund contribution)	<u>1,014,716.00</u>	<u>1,001,800</u>

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 2024	30 June 2023
	<u>Number</u>	<u>Number</u>
Professionals and High Level Supervisors	10	12
Semi-professional, Administrative and Clerical	12	14
Technician and Skilled	96	90
	<u>118</u>	<u>116</u>

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 2024	30 June 2023
	<u>Birr</u>	<u>Birr</u>
2,000-4,500	12	15
4,5001-10,000	56	56
10,001 - 20,000	36	34
Above 20,000	14	11
	<u>118</u>	<u>116</u>

**25 Events after reporting period**

In the opinion of the Management, 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.

**26 Comparative figures**

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

