KEFETA MICROFINANCE INSTITUTION S.C.

AUDITORS' REPORT AND ACCOUNTS

JUNE 30, 2025



ጌታቸው ዋቅጅራ	*Getachew Wakjira*
ቻርተርድ ሠርቲፋይድ አካውንታንት (ዩኬ)	*Chartered Certified Accountant (U.K.)*
ሠርቲፋይድ የኦዲት 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*
ፖ.ሣ.ቁ. 40418	*P.O. Box 40418*
አዲስ አበባ፣ ኢትዮጲያ	*Addis Ababa, Ethiopia*

E-mail getwak611@gmail.com

KEFETA MICRO FINANCE INSTITUTION S.C.

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2025

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KEFETA MICROFINANCE INSTITUTION S.C
FINANCIAL REPORT

CORPORATE INFORMATION

Company TIN Number 0082433249

	Name	Position
Management	Ato Moges Tamene	**Chief Executive Officer**
	Ato Asnake Yifru	**Finance & Admin. Manager**
	Ato Million Tesfaye	**Operation Manager**

Registered Office

Address: Addis Ababa, Yeka Sub City
Woreda 8

P O Box: 11495

Website: WWW.Kefetamicrofinance.com
Email: info@kefeta.com

Independent Auditor

Getachew Wakijira
Certified Chartered Accountant
Authorized Auditor

Addis Ababa, Kirkos Sub city, Woreda 09, H.No New
011-515 78 06 – 0911 21 20 87

KEFETA MICROFINANCE INSTITUTION S.C
FINANCIAL REPORT

KEFETA MICRO FINANCE INSTITUTION S.C.

STATEMENT OF MANAGEMENT RESPONSIBILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

The Commercial Code of Ethiopia also requires the Management to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 1960 also requires the Management to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

Thus, the management is responsible to keep records that may be relied upon and to design, implement and maintain such internal control to enable the preparation of financial statements that are free from material omissions or misstatement, whether due to fraud or error.

The management is also responsibilities to:

i. select and apply accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors;*

ii. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

iii. provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Management certifies that, to the best of their knowledge, the financial report complies with IFRS in that it involves a fair presentation of the effects of transactions, other events and conditions in accordance with the definitions, recognition, presentation and disclosure requirements.

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. At the end of reporting period, the Management has assessed whether there is any indication that an asset may be impaired and confirmed that no any such indication exists.

Board Of Directors - Chair Person

Chief Executive Officer /CEO/

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

Accounting and auditing Board of Ethiopia
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Kefeta
HEAD OFFICE, ADDIS ABABA
MICRO FINANCE INSTITUTION S.C

Operating results

The Company's results for the year ended 30 June 2025 are set out on page 8. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

	30-Jun-25 ETB	30-Jun-24 ETB
Interest Income	19,414,573.91	19,944.16
Profit before income tax	**19,414,573.91**	**19,944.16**
Income tax expense	-	
Total comprehensive income for the year	**19,414,573.91**	**19,944.16**
Other comprehensive income net of taxes	-	-
Total comprehensive income for the year	-	-

Management

The management who held office during the year and to the date of this report are set out on page 3.

General Manager
Addis Ababa, Ethiopia

Finance Manager

Addis Ababa Ethiopia
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (U.K)
CERTIFIED AUDIT FIRM (ET)

Accounting and auditing Board of Ethiopia
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ሠርቲፋይድ የኦዲት 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

Addis Ababa, Ethiopia

Ref. No. 106/6w/18.

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

OPINION

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

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

We have no comments to make on the report of the Board of Directors' relating the financial matters and pursuant to Article 349 (2) of the Commercial Code of Ethiopia of 2021, we recommend that the accompanying financial statements be approved.

BASIS FOR OPINION

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

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

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements 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
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ETH)

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

Addis Ababa
October 9, 2025

Kefeta
HEAD OFFICE, ADDIS ABABA
KEFETA MICRO FINANCE INSTITUTION S.C.

Accounting and auditing Board of Ethiopia
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KEFETA MICRO FINANCE INSTITUTION S.C.

STATEMENT OF CASH FLOW

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

		30-Jun-25	30-Jun-24
	Notes		Birr
Cash flows from operating activities			
Cash flows from operating activities	19	(34,256,740)	(10,082,807)
Net cash (outflow)/inflow from operating activities		**(34,256,740)**	**(10,082,807)**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(5,462,316)	(1,998,358)
Net cash (outflow)/inflow from investing activities		**(39,719,057)**	**(12,081,165)**
Cash flows from financing activities			
Proceeds from issues of shares	17	22,847,480	26,464,770
Net cash (outflow)/inflow from financing activities		**22,847,480**	**26,464,770**
Net increase/(decrease) in cash and cash equivalents		**(16,871,577)**	**14,383,605**
Cash and cash equivalents at the beginning of the year		43,857,527	29,473,792
Cash and cash equivalents at the end of the year		**26,985,820**	**43,857,527**

The notes from page 11 to 38 are integral parts of the financial statements

KEFETA MICRO FINANCE INSTITUTION S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

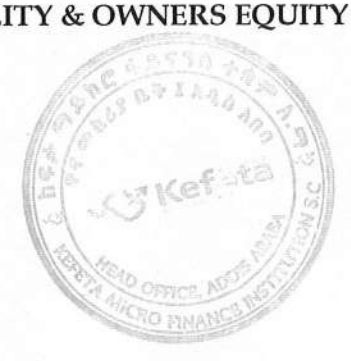
		June 2025	June 2024
	Notes	Birr	Birr
INCOME			
Interest income	3	19,414,573.91	19,944.16
Less; Interest Expense	4	(2,816,775.62)	(2,944.84)
Net Interest Income		16,597,798.29	16,999.32
Service charges and Insurance income	5	7,956,850.00	534,015.99
Other income		1,735,173.92	1,378,904.05
Total Income		26,289,822.21	1,929,919.36
EXPENSES			
Loan loss reserve provision	1	590,108.68	
Receivable Provision		0	
General and Administrative	6	19,884,179.68	5,332,607.56
Total expense		20,474,288.36	5,335,552.40
Profit before tax		5,815,533.85	(3,402,688.20)
Other Comprehensive Income		-	-
Movement in Fair Value of Equity Instrument Tax on Comprehensive Income		-	-
Other Comprehensive Income (Net of Tax) year		=	=
Total Comprehensive Income/(Loss) for the Year		5,815,533.85	(3,402,688.20)

The notes from page 11 to 38 are integral parts of the financial statements

KEFETA MICROFINANCE INSTITUTION S.C
FINANCIAL REPORT

KEFETA MICRO FINANCE INSTITUTION S.C.
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note	June 2025 Birr	June 2024 Birr
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	7	26,985,820.40	43,857,527
Prepayment	9	13,015,486.45	1,592,309
Other Asset	10	4,442,207.17	19,944
Inventory	12	273,650.25	97,085
Other Receivable		996,308.46	0
		45,713,472.73	**45,566,865**
NON CURRENT ASSETS			
Loans to Customers	8	98,137,222.65	4,105,000
Property, Plant and Equipment	11	9,762,166.35	5,118,220
		107,899,389.00	**9,223,219**
TOTAL ASSETS		**153,612,861.73**	**54,790,085**
LIABILITIES			
CURRENT LIABILITIES			
Creditor	14	3,000,000.00	0
Other payable	15	738,940.81	382,458.54
		3,738,940.81	**382,458.54**
NON CURRENT LIABILITIES			
Voluntary Saving	13	17,884,043.69	1,317,561
Time Deposit saving		41,550,083.23	0
Compulsory Saving		8,995,952.41	309,108
		68,430,079.33	**1,626,669**
TOTAL LIABILITIES		**72,169,020.14**	**2,009,257**
Owners' Equity			
Paid up Capital	17	75,297,000.00	52,449,520.00
Prior retaining Earning		331,307.74	3,733,996
Current year income/Loss	18	**5,815,533.85**	(3,402,688.20)
TOTAL CAPITAL		**81,443,841.59**	**52,780,828**
LIABILITY & OWNERS EQUITY TOTAL		**153,612,861.73**	**54,790,085**







The notes from page 11to 38 are integral parts of the financial statements

KEFETA MICRO FINANCE INSTITUTION S.C.

STATEMENT OF CHANGES IN EQUITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Paid Up Capital	Retained Earnings	Total
Balance at 01, February 2024	31,799,850	3,733,995.64	35,533,845.64
Additional Capital	20,649,670	-	20,649,670
Profit /loss /prior year	-	(3,402,688.20)	(3,402,688.20)
Distributed Profit	-	-	-
Transferred to legal reserve	-	-	-
Balance at 30, June 2024	52,449,520	331,307.74	52,780,827.74
Balance at 1, July 2024	52,449,520	331,307.74	52,780,827.74
Additional Capital	22,847,480	-	22,847,480
Profit /loss /for the year	-	5,815,533.85	5,815,533.85
Distributed Profit	-	-	-
Transferred to legal reserve	-	-	-
Balance at 30, June 2025	75,297,000	6,146,841.59	81,443,841.59

The notes from page 11 to 38 are integral parts of the financial statements

KEFETA MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

1. General Information

This Report contains a set of financial statements for Kefeta Microfinance institution S.C. Company as of and for the year ended 30 June 2025. The financial statements are the Company's financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS). Kefeta Micro finance institution S.C. established in February/2024, Licensed by the National Bank of Ethiopia with license No. MFI /626/2001and 1164/2012 and with trade registration No. MT/AA/30056555/2016. The Institution provides Saving, Lending and other Financial Services.

2. Basis of Preparation

The financial statements for the year ended 30 June 2025 have been prepared in compliance 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 are therefore prepared on a going concern basis with the assumption that the Company will operate for at least 12 months from the end of the reporting period. The financial statements have been prepared in accordance with the Accrual basis of accounting under the historical cost concept.

The preparation of financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies.

The financial statements are prepared in reference to the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors to enhance the relevance and reliability of the financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and

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CERTIFIED AUDIT FIRM (ET)

estimates are significant to the financial statements are disclosed in note.

2.1 While preparing these financial statements, the Management has made an assessment of Company's ability to continue as a going concern. The management is aware of the in-existence any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In the report of our institution on June 30, 2025, it was stated that three main solutions were taken in relation to the extremely low value of the one currency. The solutions are:

This was decided in an emergency general meeting of shareholders held on March 24, 2024. According to the decision, eighty nine million four hundred (89,040,000.00) Birr was subscribe share signed by existing Shareholders Seventy five million two hundred ninety seven Birr was collected from Shareholders. This has led to the payment of **75,297,000.00 Birr, or 84 %** of the entire paid up capital.

To launch new branches financial services that will make the institution profitable. Thus, using the microfinance application software (Craft Silicon Nimble Core Banking System for Microfinance Operations) of the institution, it was possible to effectively start the Core Banking System. Furthermore, the s In addition, Kefeta has completed all preparations to expand its service access to 2 locations in Addis Ababa and 4 other major cities / Hawasssa, Hossana, Adama and Wolkite) of the province by starting its own Branch's service and requesting and permission from the National Bank. As soon as he got the license for the benefit, he increased the access to services and increased his ability to collect the income from loan service and the savings used for the loan.

To implement cost-cutting measures on office rent, the large number of human resources employed to facilitate the operation , which have incurred high costs. Based on this decision, The institution rented offices from the rented from a private real estate building that was paying high rent. Services have started in the new offices. These three major cost-cutting initiatives will reduce the institution's annual costs by millions.

Therefore, it is stated that the performance of the work processes planned to increase the capital amount of the institution and to keep the institution in operation is very good. In addition, the assessment focused on:

1. To collect the remaining unpaid capital payment of Fourteen million One hundred forty three(13,743,000.00) Birr.
2. To make due efforts to start 3 sub branches own representative service for Kefeta as soon as possible.





4. Increasing the interest income by strengthening the loan Disbursement service and expanding the service scope.

Based on the information obtained by the management assessment after evaluating the activities of the solutions, it was agreed that the institution can confirm the existing conditions that ensure the continuity of the institution in addition to its main work.

3. Summary of Significant Accounting Policies

Below are the significant accounting policies applied by the Company in preparing its first IFRS complied financial statements. The policies have been consistently applied to the year presented.

1. Foreign Currency Translation

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional currency and presentation currency of the Company is the Ethiopian Birr (ETB).

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2. Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

3. Borrowing Costs

No Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expenses in the period in which they are incurred and reported in finance costs.

4. Profit or loss from discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation.

5. Property, Plant and Equipment

A. Right of Use Land

Right of Use Land owned should be stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by in-house evaluators once every three years or more frequently if market factors indicate a material change in fair. Any revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decreases or impairment loss has previously been recognized in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognized in other comprehensive income. Downward revaluations of land are recognized upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognized in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

B. Computer and accessories, Vehicles and Others Equipment's

Computers and other equipment (comprising fittings and furniture) are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the corporation's management. Computers and equipment also include leasehold property held under a finance lease.

Computer, Furniture and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses

Depreciation is recognized on a straight-line basis to write down the cost less estimated 1% residual

value of Computer, Furniture and other equipment. The following useful lives are applied:

Asset class	Depreciation rate (%)
Furniture & fittings	10 years
Computer and Accessories	10 years
Office equipment	10 years

In the case of leased assets, expected useful lives are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

C. Leased assets

All leased assets are treated as if finance lease except short-term and small value leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease. All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term.
Associated costs, such as maintenance and insurance, are expense d as incurred.

6.Impairment testing of Intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the corporation's latest approved budget, adjusted as necessary to exclude the effects of future re-organizations and asset enhancements. Discount factors are determined

Individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.
All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the assets or cash-generating unit's recoverable amount exceeds its carrying amount.

7. Investment property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using either the cost model or the fair value model.
The Institution do not have Investment properties but if there is any it should be accounted for using the cost model where the resulting depreciation and impairment losses recognized in profit or loss, and are included in the statement of financial position at their original cost.

8. Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

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.

Financial assets and financial liabilities are d-recognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies with for d-recognition. In addition, d-recognition of a financial asset in its entirety, the difference between: the carrying amount (measured at the date of d-recognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

Write-off

According to IFRS 9.5.4.4, the company shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a DE-recognition event.

9. Loan Receivables

(a) All receivable balances should be measured at their net realizable value, calculated as the gross amount of receivable minus any allowances provided for doubtful Loans.

(b) Allowance for doubtful Loans should be provided in an amount equal to the total receivables shown or reasonably estimated to be doubtful of collection.

10. Other assets

a) Prepayments

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

b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and can cell when payment is received.

The Company's other receivables are classified as staff debtors and sundry debtors.

8. Financial instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

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a) Prepayments

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

b) Other receivables

Other receivables are recognized upon the occurrence of event or transaction as they arise and can cell when payment is received.

The Company's other receivables are classified as staff debtors and sundry debtors.

11. Cash and cash equivalents

a) Cash comprises cash on hand, petty cash funds, currencies awaiting deposit and local or foreign currency deposits in Company's which can be added to or withdrawn without limitation and are immediately available for use in the current operations.

b) Cash equivalents are short-term, highly liquid investments that are both: i) readily convertible to known amounts of cash; and ii) so near their maturity date (3 month or less from the date of acquisition), that they present insignificant risk of changes in value because of changes in interest rates.

Cash is valued at face value. Cash and cash equivalents in currencies other than the Ethiopian Birr (ETB) are recorded at market exchange rates in effect at the time of transaction and restated to the equivalent ETB amount at prevailing market rates as of the date of the statement of financial position.

12. Revenue Recognition

'Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company recognizes revenue when (or as) it satisfies a performance obligation, i.e., when it transfers control of a product or services to customers.

The major source of income of KMFI is interest earned on loans, Service Charge earned on loans, Income from Loan Interest and Other Financial income, etc.

Interest rate to be charged on loans is determined by the Board of Directors and NBE should be notified of the same.

Investment Income: Interest income is recognized in the statement of profit or loss as it accrues.

Investment income also includes dividends when the right to receive payment is established and gain/loss on disposal of fixed assets.

13. Employee Benefits

The Company has provided short-term, long-term and post-employment employee benefits.

a) Post-employment Benefit



The Company's post-employment employee benefit is a defined contribution plan where it pays fixed monthly contributions into a government managed pension plan and will have no legal or constructive obligation to pay further contributions if the pension plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Provident fund contribution, funding under this scheme is 7% and 11% by employees and the company respectively.

b) Short term employee benefit and other long term employee benefit

When an employee has rendered service to a Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

Short-term employee benefits: are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service. The company accrues severance payment using the projected unit credit method. Management estimates the obligation annually with the assistance of actuarial estimates.

14. Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

•Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

•Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservant.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-

assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

15. Significant accounting judgments, estimates and assumptions

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

a. Judgments

In the process of applying the Company's accounting policies, Management has made judgments in the determination of the appropriateness of going concern, assessment of the existence of impairment indicators and classification of events after the reporting period.

b. Estimates and Assumptions

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

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Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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.

16. Fair value measurement of financial instruments

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

17. Impairment Losses on Loan Receivables

At every reporting date, the Company analyses its trade and other receivables for impairment. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present at the date of assessment.
Management uses estimates based on historical loss experience for trade receivables.

Provisions under prudential guidelines are determined using the time-based provisioning prescribed by the National Bank of Ethiopia (***NBE)*** Directives. ***This is at variance with the incurred loss model required by IFRS under IAS 39.*** As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies. The proclamation Financial Reporting Proclamation No.847/2014 stipulates that Company would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.
However, financial institutions would be required to comply with IFRS and Provisions for loans recognized in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives.

18. Severance Pay

The cost of severance pay obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a severance pay obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

19. Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

20. Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.
Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:
- revaluation reserve

-comprises gains and losses from the revaluation of land translation reserve
-comprises foreign currency translation differences arising from the translation of financial statements.

All current and historical period retained profits are included in retained earnings. Retained earnings are not derived from the business's operating activities, which include collecting service fees from shareholders .

21. Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the corporation and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Institution is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Significant management judgment in applying accounting policies and estimation uncertainty. When preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.Significant management judgments

The following are the judgments made by management in applying the accounting policies of the institution that have the most significant effect on the financial statements.

22. **Inventories**

Management estimates the net replacement cost values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future prices.

23. **Accounting Policies, Change in Accounting Estimate and Errors**

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Prospective application of a change in accounting policy and of recognizing the effect of a change in an accounting estimation.

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available, reliable information. For example, estimates may be required of:

(a) Bad debts;
(b) Inventory obsolescence;
(c) The fair value of financial assets or financial liabilities;
(d) The useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciate assets; and

(e) Warranty obligations.

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with IFRSs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

24. Acquisitions and Disposals
There were an acquisition and no disposals during the reporting period.

25. Interests in Subsidiaries
There were no interests in subsidiaries during the reporting period.

26. Investments accounted for using the equity method
There were no investments accounted for using the equity method during the reporting period.

27. **Events after the reporting date**
No adjusting or significant non-adjusting events have occurred between the 30 June 2024 reporting date and the date of authorization.

28. **Authorization of financial statements**
The financial statements for the year ended 30 June 2024 (including comparatives) are awaiting approval by the board of directors

29. Credit risk management

Credit risk Credit risk is the risk of financial loss to the Company if a customer of counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other Company and investment securities.

30. MANAGEMENT OF CREDIT RISK

The Company has a loan review committee responsible for reviewing credit risk management policies and the Company's compliance with regulatory directives. Credit Management Department is responsible for implementing the credit risk management policies of the Company. Credit management department and branch units are required to implement the Company's credit policies and procedures, with credit approval authorities delegated from the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subjects to central approval.

In the estimation of credit risk, the Company estimate the following parameters:

- **Probability of Default:** This is the probability that an obligatory or counter party 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.
- **Loss Given Default:** Loss Given Default is defined as the portion of the loan determined to be irrecoverable at the time of loan default (1 – recovery rate). Our methods for estimating LGD includes both quantitative and qualitative factors.
- **Exposure** at Default: This represents the amount that is outstanding at the point of default. Its estimation includes the drawn amount and expected utilization of the drawn commitment at default.

31. IMPAIRMENT ASSESSMENT

The Company assesses its impairment for the purpose of IFRS reporting using a two-way approach which are Individual assessment and portfolio assessment.

(a) Specific assessment The Company 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. The Company then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.

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

32. CREDIT RELATED COMMITMENTS RISKS

The Company holds collateral against loans and receivables to customers in the form of Company guarantees and property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing.

33. MAXIMUM EXPOSURE TO CREDIT RISK

(a)Types of collateral or credit enhancement

KMFI loans that are channeled through groups shall jointly and severally be guaranteed by the group members. Furthermore, compulsory savings of individual group members will also be used as additional security for the loan. Third party guarantee in case of group loan may be required by the group members themselves for a member in a group whom they think is riskier in various ways.

34. COLLATERAL HELD AND THEIR FINANCIAL EFFECT

The general creditworthiness 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 the Company generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Company.

The Company may take collateral in the form of fixed assets, like house (including condos), vehicle including Bajaje can be used as collateral by properly registering with appropriate authorities. In addition to the Company s focus on creditworthiness, the Company aligns with its credit policy guide to periodically update the validation of collateral's held against all loans to customers. For impaired loans, the Company obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair values of the collateral's are based on the last revaluations carried out. The valuation technique adopted for properties is in line with the Company's valuation manual and the revalued amount is similar to fair values of properties with similar size and location.

35. **Liquidity risk**

Liquidity Risk is a risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

36. **MANAGEMENT OF LIQUIDITY RISK**

Compliance with the regulatory framework is monitored consistently. The Licensing & Supervision of Accompanying Business proclamation No./626/09 of the National Bank of Ethiopia provides that any Micro financing institution total loan extended to any single borrower shall not exceed 1% of the total capital. And loan extended to group of borrowers not more than 4%of the total capital.

37. **Market risk**

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, and foreign exchange rates will affect the future cash flows of the Company's financial instruments. The

objectives of market risk management are to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

38. **MANAGEMENT OF MARKET RISK**

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Interest rate risk Interest rate risk is a risk resulting from changes in interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Company's interest margin or the value of its net worth.

ii) foreign exchange risk foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. Foreign exchange

risks are controlled by maintaining balances in major currencies whose exchange rates against the reporting currency are expected to appreciate. The National Bank controls exchange rates due to which the rates are not fluctuating significantly. The Company is not exposed to exchange rate risks to the extent of balances and transactions denominated in a currency other than the Ethiopian Birr.

39. Financial risk management

Introduction

Risk measurement and reporting systems

The Company's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitors the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk mitigation

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

The adequacy of these mitigates is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.

Financial risk

Financial instruments by category

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

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

Credit risk

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







Management of credit risk

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

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

	30-Jun-25	30-June-24
	ETB	ETB
Cash and balances with banks Investment securities:	26,985,820.40	43,857,396.89
- Financial assets measured at FVPL		
- Financial assets measured at amortized cost		
Loan receivables	98,727,331.33	4,105,000.00
Other receivables excluding prepayments	5,438,515.63	19,944.16
	131,151,667.03	**47,982,341.05**

Credit exposure by sector and impairment status

The following table summarizes the credit exposure by sector and their respective impairment status for the reporting and comparative periods.

1. Credit exposure by sector and impairment status

Sector	Loan Outstanding	Loan Impairment (Provision)			
		Stage 1	Stage 2	Stage 3	Total
Agriculture	0	0	0	0	0
Trade	65,680,922.11	6,722.53	665,633.01	0	672,355.54
Construction	994,146.91	0	0	0	0
Manufacturing	300,000.00	0	0	0	0
Service	24,410,918.27	0	0	0	0
Consumption	7,341,345.04	4,876.66	117,477.40	0	122,354.06
Total	98,727,331.33	11,599.19	783,110.41	0	794,709.60

2. Kefeta compare the impairment under IFRS with the provision reserve as per the National Bank of Ethiopia Directive.

	30-Jun-25	30 june 2024
Total Impairment based on IFRS	794,709.60	0.00
Total Impairment based on NBE Directive	**590,108.68**	0.00
Difference	**204,600.92**	0.00

Kefeta income from the main Core business in this year Interest from fee form loan and Advance

3. Interest income

	30-Jun-25	30-June-24
	Birr	**Birr**
Interest Loans from custumers	19,414,573.91	19,944.16
	19,414,573.91	**19,944.16**

4. Interest Expense

	30-Jun-25	30-June-24
	Birr	**Birr**
Interest Expense on personal and Compulsory Saving	2,816,775.62	2,944.84
	2,816,775.62	**2,944.84**

5. Other income

	30-Jun-25	30-june-25
	Birr	**Birr**
Service charge from shareholder	0	534,015.99
service income and insurance- loan	7,956,850.00	28,650.00
Other Income	1,735,173.92	12,050.00
	9,692,023.92	**574,415.99**

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6. General & Administrative expense	30-Jun-25	30-June-24
	Birr	Birr
Salary, Wage and benefits	10,731,159.91	2,469,355.81
Office Rent	3,040,248.67	875,000.00
Stationery and Office Supplies	900,492.39	147,891.76
Per dime	717,543.02	73,365.00
Commission fees	0.00	535,000.00
Utility	40,119.87	8,065.76
Depreciation	818,869.84	149,116.22
Advertisement	203,840.85	308,414.62
License and Registration	57,645.00	31,000.00
Fuel and Lubricants	431,760.01	181,722.50
Repair and Maintenance	51,419.99	2,700.00
Insurance	47,214.02	9,270.21
office Refreshment	87,460.23	31,007.26
Consultancy Expense	399,714.30	90,000.00
Cleaning & Sanitation Expense	7,345.71	25,773.07
postage	5,059.00	650.00
Interior design expense	163,702.50	54,567.50
Accommodation Hotel service	106,380.72	121,326.39
Telephone expense	482,069.57	77,973.80
Bank service charge	30,453.14	6,835.37
Other expense	1,075.99	48,553.50
Entertainment	0	5,599.99
Sundries Expense	248,751.85	72,329.67
Stamp Duty Expense	22,870.53	7,089.13
Membership fee AEMFI	50,000.00	0
General Assembly Meeting Expense	245,699.70	0
Annual Leave exense	13,599.94	0
Audit Fee	79,350.00	0
Transportation Expenses	297,699.72	0
Penalty Expense	3,017.43	0
Personnel Recrument expense	17,000.00	0
Training Expense	582,615.78	0
	19,884,179.68	5,332,607.56

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7. Cash and cash Equivalent

	30-Jun-25	31-Jan-24
	Birr	Birr
Cash at Banks	26,985,820.40	43,857,527
	26,985,820.40	43,857,527

8. Loan and Advances

	30-Jun-25	30-June-24
	Birr	Birr
A) As per NBE		
Loan and advances	98,727,331.33	4,105,000.00
Less: Provision for loan loss	(590,108.68)	0
	98,137,222.65	4,105,000.00
B) As per IFRS		
Loan and advances	98,727,331.33	4,105,000.00
Less: Provision for loan loss	(794,709.60)	0
	97,932,621.73	4,105,000.00

9. Prepayment

	30-Jun-25	30-June-24
	Birr	Birr
Office Rent Prepayment	294,627.78	1,243,000.00
Prepaid Insurance	14,472.75	37,509.78
Prepaid Telephone	64,225.08	25,620.02
Prepaid NIMBIE software and installation	8,388,197.664	0
Prepaied Mobile Wallet System	522,500.00	0
Prepaid time deposit interest	2,831,463.20	0
Prepaid KAFCON share	900,000.00	0
Prepayment	0	286,179.66
	13,015,486.45	1,592,309.46

10. Other Asset

	30-Jun-25	30-June-24
	Birr	Birr
Accrued interest receivable	4,442,207.17	19,944.16
Other Receivable	996,308.46	0
	4,442,207.17	19,944.16

11. Property, Plant and Equipment

	Office Equipment	Office Furniture	Computer And Accessories	Motor Vehicle	Total
Cost					
As of July 1 2024	1,226,633.01	1,023,215.50	3,032,062.61	-	5,281,911.12
Addition	1,591,106.96	901,865.70	2,097,385.01	871,958.61	5,462,316.28
As of June 30 2025	2,817,739.97	1,925,081.20	5,129,447.62	871,958.61	10,744,227.40
Accumulated depreciation					
As at July 1 2024	41,651.39	34,700.64	87,339.20	0	163,691.23
Charge for the year	200,912.24	157,635.62	443,357.44	16,464.52	818,369.82
As at 30 June 2025	242,563.63	192,336.26	530,696.64	16,464.52	982,061.05
Net book value					
As at 30 June 2024	1,184,981.62	988,514.86	2,944,723.41	0	5,118,219.89
As at 30 June 2025	2,575,176.34	1,732,744.94	4,598,750.98	855,494.09	9,762,166.35

Carrying Value

Property, Plant and Equipment components are presented at Cost Model less Accumulated Depreciation. For the year ended 30-June 2025, the management has tested for any impairment in every component of the Property, Plant and Equipment and found out that there is no any impaired asset for the years then ended.

12. Inventory

	30-Jun-25	30-June-24
	Birr	Birr
Printing Material	258,696.72	84,163.20
Stationary Material	14,953.53	12,921.41
	273,650.25	97,084.61

The net realizable value is assumed to be try far greater than the costs given the inflationary economy that prevailed. Hence the corresponding balances of the categories of inventories are reported at cost.

13.Deposit and saving

	30-Jun-25	30-June-24
	Birr	Birr
Personal (Voluntary) Saving	17,884,043.69	1,317,561.34
Compulsory saving	8,995,952.41	309,108.12
Time Deposit Saving	41,550,083.23	
	68,430,079.33	1,626,669.46

14. Creditor

	30-Jun-25	30-June-24
	Birr	Birr
Kefeta Investement Group payable	3,000,000.00	0
	3,000,000.00	0 -

B. Severance Obligation

The severance benefits plan is an unfunded defined benefit that is based on the statutory severance benefit as set out in Labor Proclamation No. 377/2003 and its subsequent Amendment, ProclamationNo. 494/2006. The vesting condition for the benefit is for employees to serve the Company for 5 years and above and who are below the retirement age (i.e. Have not met the requirement to access the pension fund). The eventual settlement of the severance is determined by reference to years of service to the company and based on the final monthly salary of the employee (30 days salary for the first year of service and one-third of the final salary for the remaining period the employee is entitled the benefit- to a maximum of twelve months salary).

A. Liability recognized in the financial position.

	30-Jun-25	30-June-24
	ETB	ETB
– Severance pays	0	0
Liability in the statement of financial position		

C. The principal assumptions used in determining defined benefit obligations

	30-Jun-25	30-June-24
	ETB	ETB
Discount rate (p.a)	14.25%	14.25%
Long term salary increases (p.a)	13%	13%

i. *Discount rate*

In Ethiopia, there is neither a deep market in corporate nor government bonds. Furthermore, the market for treasury bills in Ethiopia is inefficient and does not appear to be market determined. IAS 19 does not provide guidance for setting the discount rate in a country with limited government bonds or instruments.

The Company therefore opted to use a discount rate of 30 June 2025 14.25 % based on the prevailing commercial banks' lending rate as reported by National Bank of Ethiopia.

ii. *Long term salary increases*

The average salary escalation rates of the past few years are assumed to prevail in the subsequent

years in determining severance pay for an accounting period. The company will annually review the validity of this assumption.

a. **Risk exposure**

Through its post-employment benefit schemes, the Company is exposed to a number of risks. The most significant of which are detailed below:

i. *Liquidity risk*

The defined liabilities are unfunded and as a result, there is a risk of the Company not having the required cash flow to fund future defined benefit obligations as they fall due.

ii. *Life* expectancy

Increases in life expectancy will result in an increase in the schemes' liabilities.

15.Government and other Payable

	30-Jun-25	30-June-24
	Birr	Birr
Withhold Tax	14,245.41	10,699.30
Income Tax	218,186.61	202,321.71
Pension Payable	140,248.36	101,789.58
Personal Saving Interest Tax	96,059.70	147.95
VAT Payable	123,984.00	0
Other Payable	146,216.73	67,500.00
	738,940.81	382,458.54

The other liabilities total represents amounts that are outstanding & not settled before the end of .the periods and that will be paid just in the following few months of the accounting periods.

16. Key management compensation

	30-Jun-25	30-June-24
Salaries and other short-term employee benefits	-	-
Post-employment benefits	-	-
Severance benefit plan	-	
	0	0

17. Capital

Balance at 30, June 2024	**52,449,520**
Balance at 01, July 2024	52,449,520
Additional Capital	22,847,480
Retained earning	6,146,841.59
Distributed Profit	-
Transferred to legal reserve	-
Balance at 30, June 2025	**81,443,841.59**

18. Notes to the Statement of Cash Flow

	30-Jun-25	30-Jun-24
	Birr	Birr
a) Cash used in operations		
Reconciliation of profit before income tax to cash from operations	5,815,533.85	(3,402,688.20)
Depreciation of property and equipment	818,369.82	149,116.22
Changes in operating assets and liabilities:		
Decrease/ (Increase) in loans and advances	(94,032,222.65)	(4,105,000.00)
Decrease/ (Increase) in Prepayment	(11,423,176.99)	(1,592,309.46)

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Decrease/ (Increase) in other assets	(5,418,571.47)	(2,825,943.38
Decrease/ (Increase) in inventory	(176,565.64)	(97,084.61)
Increase/ (Decrease) in customer's deposit	66,803,409.87	1,626,669.00
Increase/ (Decrease) in creditors	3,000,000.00	0
Increase/ (Decrease) in other liabilities	356,483.00	164,433.73
	(34,256,740.21)	(10,082,806.70)

19 PAID UP CAPITAL	30-Jun-25	30-Jun-24
	Birr	Birr
Total No. of Share holders	169	169
Total No. of Subscribed Shares	89,040	89,040
Par Value	1,000	1,000
Subscribed	89,040,000.00	89,040,000
Total No. of Shares Paid for	75,297	52,450
Paid	**75,297,000.00**	**52,449,520**
Unpaid	13,743,000.00	36,590,480

20. **Contingent Liability**

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

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

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21. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 30 June 2025 reporting date and the date of authorization.

To launch Core Banking financial services that will make the institution profitable. Thus, using the microfinance application software (Craft silicon Nimble Software System for Microfinance Operations) of the institution, it was possible to effectively start the other New Microfinance

Furthermore, the service is spreads main Province of the country. This has become a new source of income. In addition, Kefeta has completed all preparations to expand its service access to 2 locations in Addis Ababa and 4 other major cities/Hawassa, Hossana,Wolkite and Adama of the province by starting its own representative service and requesting permission from the National Bank. As soon as he got the license for the benefit, he increased the access to services and increased his ability to collect the income from loan service and the savings used for the loan.

22. Comparative Figures

Some comparative figures have been reclassified to facilitate proper comparison.