DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.

AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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CERTIFIED ACCOUNTANTS & AUDITORS

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ADDIS ABABA

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
FOR THE YEAR ENDED 30 JUNE 2024
CONTENTS

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
REGISTERED OFFICE AND PRINCIPAL BANKERS
FOR THE YEAR ENDED 30 JUNE 2024

Registred office

Dedebit Credit and Saving Institution S.C.
Hawelty Sub City, House No. New
Telephone No:034-4409306 Fax No: 034-4406099 - E-mail: www.decsimfi.com
Place of Registration: Mekelle, Ethiopia

Principal bankers

Commercial Bank of Ethiopia
Tel No. +251-344-40-74-87
Mekelle

Wegagen Bank S.C.
Tel No. +251-344-40-94-51
Mekelle

Lion International Bank S.C.
Tel No. +251-344-41-93-64
Mekelle

Dashen Bank S.C.
Tel No. +251-344-36-03-53
Mekelle

United Bank S.C.
Tel No. +251-344-41-58-56
Mekelle

Bank of Abyssinia S.C.
Tel No. +251-342-41-53-17
Mekelle

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
FOR THE YEAR ENDED 30 JUNE 2024
DIRECTORS AND PROFESSIONAL ADVISERS

Directors (As of 30 June 2024)

Tekleweyni Assefa	Chairman
Mihret Beyene (Phd)	Member
Getachew Legesse	Member
Assefa Sisay	Member
H/Michael Tekle	Member
Rigbe Abreha (W/ro)	Member

Executive Management (As of 30 June 2024)

Mulugeta Berhane	Chief Executive Officer
Samuel Kiflom	Chief Operation Officer
G/hiwot Abreha	Chief Corporate Service Officer
Tsige Bayray	Chief Information Technology Officer

Independent auditor

AMA-HAI Certified Accountants & Auditors
Meskel Flower Road, Aster Surafel Building 2nd Floor, Room No. 205
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Fax-251-11-470 0394, Po.Box-13735
Addis Ababa, Ethiopia

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2024

The Commercial Code of Ethiopia, 2021 and the Micro Financing Business Proclamation No. 626/2009 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the financial year and of the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Company's General Manager is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards (IFRS) adopted by the Government of Ethiopia and in the manner required by the Commercial Code of Ethiopia of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company 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 the Company had complied with the provisions of the Companying Business Proclamation and regulations and directives issued for the implementation of the aforementioned Proclamation.

The Company's General Manager 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, Companying Business Proclamation, Commercial code of 2021 and the relevant Directives issued by the National Bank of Ethiopia.

The General Manager is of the 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 General Manager further accepts 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.

Signed on behalf of the Directors by and on January 20, 2025.

Mulugeta Berhane	**Tekleweyni Assefa**
Chief Executive Officer	**Chairperson, Board of Directors**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.

Opinion

We have audited the accompanying financial statements of Dedebit Credit And Savings Institution S.C. which comprise the Statement of Financial Position as of 30 June 2024 and the related Statement of Profit & Loss and Other comprehensive income, Statement of changes in shareholders' equity and Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effect of the matters discussed in the basis for qualified opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Dedebit Credit And Savings Institution S.C. as of 30 June 2024 and of its financial performances and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1. The Bank accounts held with different banks have not been reconciled with the record balance of the Company. The details are as follows:-

	Account No.	Bank Book	Ledger Balance	Difference
Lion-Mekelle Branch	0030013231-07	18,239,535	218,239,535	(200,000,000)
Wegagen-Mekelle Branch	4095882/505/10200	199,997	350,199.997	(350,000,000)
		18,439,532	568,439,532	(550,000,000)

2. Included under other assets & prepayments migration/adjustment & refund accounts shows a net Debit balance of Birr 721,399,814 for which management has not investigated and remained un cleared as the balance sheet date.

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3. IFRS 9 requires recognition of expected credit loss for financial assets. However, expected credit loss was not assessed and recognized for other asset shown in Note 8 of the notes to the financial statements with a total value of Birr 1,574,509,758 We therefore, are unable to ensure whether these assets are fairly stated and the effect, thereof, on the total comprehensive income of the company.

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

Key Audit Matter

Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion there on; we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matter to be communicated in our report.

The Company has introduced a core banking software system. However, the implementation of the core banking system was interrupted during the war in the region as a result of closure of the main server. The company was operating its activities on manual banking services and when the server for the core banking was ready for operation the system couldn't accept transaction on past dates. As a result, the management tried to incorporate the two years transaction back manually in the financial statements.

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Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 of 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' Responsibility for the audit of 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 decision of users taken on the basis of these financial statements.

Addis Ababa

February 19, 2025

Ama - Hai

Chartered Certified Accountants

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2024
(IN ETHIOPIAN BIRR)

	Notes	2024	2023 (Restated)
ASSETS			
Cash & balances with banks	5	2,513,006,640	3,513,394,494
Investment securities:			
- At amortised cost	6(a)	-	-
- At fair value through OCI	6(b)	144,533,171	150,999,900
Loans and advances to customers - net	7	11,692,130,933	9,485,586,376
Other assets and prepayments	8	1,622,502,986	1,626,490,193
Property, Plant & Equipment-net	9(a)	649,295,897	603,535,853
Intangible assets - net	9(b)	70,455,771	64,127,634
Investment properties - net	9(c)	2,676,646	2,738,893
Non-current assets held for sale	9(d)	1,877,959	1,877,959
Total assets		**16,696,480,002**	**15,448,751,303**
LIABILITIES			
Deposits from customers	10	14,147,264,426	13,296,381,475
Other liabilities	11	1,146,259,240	1,271,172,185
Borrowings	12	697,591,449	709,845,258
Guarantee fund	13	2,490,486	2,490,486
Government grant (right of use land)	9a	218,510,847	220,879,466
Provision for employee benefits	14	216,837,083	88,245,163
Total liabilities		16,428,953,531	15,589,014,032
EQUITY			
Share capital	15	10,000,000	10,000,000
Donated capital	17	130,799,229	130,799,230
Retained earnings	18	(2,250,948,921)	(3,361,196,604)
Legal reserve		2,000,000	-
Revaluation surplus	20	123,581,812	130,120,428
Regulatory risk reserve	21	2,252,094,389	2,950,014,257
Total equity		267,526,509	(140,262,690)
Total liabilities and equity		**16,696,480,002**	**15,448,751,303**

The notes on pages 7 to 10 are an integral part of these financial statements.

The financial statements on pages 11 to 59 were approved and authorised for issue by the board of directors and were signed on its behalf by:

Mulugeta Berhane
General Manager

Tekleweyni Assefa
Chairperson, Board of Directors

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024
(IN ETHIOPIAN BIRR)

INCOME	Notes	2024	2023 (Restated)
Interest income	22	1,753,571,581	1,096,093,128
Interest expenses	22	(1,277,926,749)	(864,696,714)
Net interest income before impairment		**475,644,832**	**231,396,415**
Loan impairment (charge)/reversal		954,470,470	(1,082,797,383)
Net interest income		**1,430,115,302**	**(851,400,968)**
Fees and comsission income	23	3,679,332	1,074,181
Net fee and commission income		**3,679,332**	**1,074,181**
Other operating income	23	30,727,079	22,292,212
Bad debts written back - net		-	-
Reclassification to Income from government grant for the year	24	2,368,619	2,368,619
Net operating income		**1,466,890,332**	**(825,665,956)**
EXPENSES			
Salaries and other employee benefits	25	767,779,267	314,920,560
General & administration expenses	28	172,707,002	99,256,596
Depreciation of property, plant and equipment	26	30,942,338	26,182,476
Amortisation of intangible assets	27	122,313	3,032,683
Audit fees		494,800	575,000
Total operating expenses		(972,045,719)	(443,967,315)
Profit before tax		494,844,613	(1,269,633,271)
Taxation charge	19	-	-
Profit for the year after tax		494,844,613	(1,269,633,271)
Other comprehensive income:			
Transfer of excess depreciation to retained earnings	20	6,538,617	6,538,617
Total comprehensive income for the year		**501,383,230**	**(1,263,094,654)**
Earnings per share	16	**4,948**	**(12,696)**

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2024
(IN ETHIOPIAN BIRR)

	Paid up Capital	Donated Capital	Retained Earnings	Legal Reserve	Revaluation surplus	Regulatory Risk Reserve	Total
Balance as at 30 June 2022 (Restated)	10,000,000	130,799,230	(2,174,161,726)	-	136,659,046	2,988,044,145	1,091,340,694
Prior year adjustment	-	-	38,029,888	-	-	-	38,029,888
Transfer of excess depreciation to retained earnings in the year	-	-	-	-	(6,538,617)	-	(6,538,617)
Transfer from Retained earning			38,029,888	-		(38,029,888)	-
Total comprehensive income for the year	-	-	(1,263,094,654)	-	-	-	(1,263,094,654)
Balance as at 30 June 2023 (Restated)	10,000,000	130,799,230	(3,361,196,604)	-	130,120,429	2,950,014,257	(140,262,689)
Prior year adjustment	-	-	(87,055,415)		-	-	(87,055,415)
Transfer to legal reserve			(2,000,000)	2,000,000			-
Transfer from regulatory risk reserve			697,919,868	-		(697,919,868)	-
Transfer of excess depreciation to retained earnings in the year	-	-	6,538,617	-	(6,538,617)	-	-
Total comprehensive income for the year	-	-	494,844,613	-	-		494,844,613
Balance as at 30 June 2024	10,000,000	130,799,230	(2,250,948,921)	2,000,000	123,581,811	2,252,094,389	267,526,509

DEDEBIT CREDIT AND SAVINGS INSTITUTION S.C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024
(IN ETHIOPIAN BIRR)

	30 June 2024	30 June 2023
CASH FLOW FROM OPERATING ACTIVITIES		
Net operating profit/(loss) for the year	501,383,230	(1,263,094,654)
Adjustments for non-cash items:	-	-
Depreciation of tangible non-current assets	30,942,338	26,182,476
Amortisation of intangible assets	122,313	3,032,683
Adjustment to non current assets	6,491,729	-
Income from government grant (right of use land) for the year	(2,368,619)	(2,368,619)
Transfer of excess depreciation to retained earning	(6,538,617)	(6,538,617)
Adjustment for Loan Impairment under GAAP		-
Provision for Loan Impairment under IFRS	(954,470,470)	1,082,797,383
Provision for employee benefits	128,591,921	8,999,917
Prior year adjustment	(87,080,964)	76,059,776
Changes in working capital:		
(Increase)/Decrease in loan portfolio	(1,252,073,535)	(309,425,085)
(Increase)/ Decrease in other assets and prepayments	3,987,207	(220,583,245)
Increase/ (Decrease) in deposit from customers	850,882,951	(21,347,444)
Increase/ (Decrease) in other liabilities	(124,912,945)	(47,635,940)
Increase/ (Decrease) in guarantee fund	-	-
Net cash generated from (used in) operating activities	**(905,043,462)**	**(673,921,369)**
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of non-current assets	(83,090,584)	(39,109,508)
Renaissance Dam Bond collection	-	-
Net cash generated from (used in) investing activities	**(83,090,584)**	**(39,109,508)**
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition (repayment) of long term liability	(12,253,809)	-
Net cash generated from (used in) financing activities	**(12,253,809)**	-
Net increase (Decrease) in Cash & cash equivalents	(1,000,387,854)	(713,030,877)
Cash & balance with banks as at 30 June 2023	3,513,394,494	4,226,425,410
Cash & balance with banks as at 30 June 2024	2,513,006,640	3,513,394,494

1 General information

Dedebit Credit and Savings Institution Share Company (DECSI or the Company) was established in 1997 as a microfinance institution (MFI) to provide credit and savings services for the rural and urban poor in Northern Ethiopia, Tigray Region.

DECSI's registered address is Mekelle, Kebele 11. DECSI was established with an authorized capital of Birr 60 million, and is regulated by National Bank of Ethiopia (NBE). It obtained a license certificate No MFI/0038/28/97 from the NBE pursuant to the authority vested in it by article 41 of the Monetary and Banking Proclamation No. 83/1994, and by article 25 of the Licensing and Supervision of the Business of Micro-financing Institutions (MFIs) Proclamation No. 40/1996.

The Company is principally engaged in the provision of diverse range of financial products and services to a wide range of sectors in Ethiopia.

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 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 the institution'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 the Company's 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 detail in the following sections.

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The financial statements comprise the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows and the notes to the financial statements.

2.2.1 *Going concern*

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

2.2.2 *Accrual basis of accounting*

Except for cash flow information, the Company applies accrual basis of accounting while recognizing assets, liabilities, equity, income and expenses; and when preparing the financial statements.

2.2.3 *Materiality and Aggregation*

The Company separately presents each material class of similar item and all items of dissimilar nature or function, unless they are immaterial.

2.2.4 *Frequency of reporting*

The Company prepares a complete set of financial statements every year, and its accounting period runs from July 1 to June 30 of each year.

2.2.5 *Presentation currency*

It is the policy of DECSI that all transactions would be measured and accounts reported in financial statements in terms of Ethiopian Birr. All amounts have been rounded to the nearest Birr, unless otherwise indicated.

If there are transactions in foreign currency, they shall be translated into the Ethiopian Birr at the rate of exchange prevailing on the transaction date (IAS 21).

Year end balances in foreign currency are translated into Ethiopian Birr at the year-end exchange rate.

DEDEBIT CREDIT AND SAVING INSTITUTION S.C.

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2.2.6 *Statement of compliance*

The Financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB.

2.2.7 *Basis of measurement*

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

2.2.8 *Changes in significant accounting policies and disclosures*

In the preparation of financial statements (starting the fiscal year ending June 30, 2019) DECSI has applied the following standards which are believed to have significant effect on its financial statements. The details on the application of these standards is indicated in the following sections and related notes.

A. IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when the Company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

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The standard provides a single, principles based five step model to be applied to all contracts with customers in recognising revenue being; identifying the contract(s) with a customer, identifyg the performance obligation in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract; and recognising revenue when (or as) the entity satisfies a performance obligation.

- **Step 1**: Identify the contract(s) with a customer.
- **Step 2**: Identify the performance obligations in the contract.
- **Step 3**: Determine the transaction price.
- **Step 4**: Allocate the transaction price to the performance obligations in the contract.
- **Step 5**: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when' control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 Revenue from Contracts with Customers clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

B. IFRS 9 Financial Instruments

Initial Recognition

The Company recognizes all financial assets and financial liabilities on the trade date. At the time of recognition the financial assets or financial liabilities are classfied into different categories. Management determines the categorisation of its financial instruments at initial recognition.

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Initial Measurement

At initial recognition, the Company measures all financial instruments at their fair value plus transaction costs, except in the case of a financial asset or financial liability recorded at FVTPL. However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, the difference at initial recognition is recorded as a gain or a loss.

Subsequent Measurement
Investment in debt instruments:

The Company classifies investments in debt instruments (e.g., loans, bonds, etc.) and subsequently measures them at either amortised cost or fair value on the basis of both:

a) The Company's business model for managing the financial assets: (i) Held for trading; (ii) Held to collect contractual cash flows; or (iii) Held to collect contractual cash flows and to sell; and
b) The contractual cash flow characteristics of the financial asset.

A financial asset may be measured at amortised cost only if both of the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows ("the business model test"); and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding ("the cash flows characteristics test").

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- For the purpose of applying the above rule, interest refers to the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, other basic lending risks and costs, as well as a profit margin.

DECSI measures a debt instrument at fair value unless it is measured at amortised cost. The fair value is determined in accordance with IFRS 13.

Investments in equity instruments:

The Company measures investments in equity instruments, such as its investment at Kaza Capital Goods Lease Finance S/C, a subsidiary company, at fair value through other comprehensive income (FVTOCI).

Financial Liabilities, Guarantees, and Commitments

The Company classifies all financial liabilities and subsequently measures them at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss (FVTPL). Such liabilities are subsequently measured at fair value.

The Effective interest method

Amortised Cost of a Financial Asset or Liability

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets adjusted for any loss allowance.

When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses.

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Impairment of Financial Assets

Impairment under IFRS 9 requires the use of an expected loss approach for the calculation of impairment allowances. The standard's core principle with respect to impairment is that impairment allowances are recognized before the losses are actually incurred. Financial assets are assessed for indicators of impairment (triggers for exposure) at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

a) Credit Loss: The difference between all contractual cash flows that are due to DECSI in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

b) Expected Credit Losses (ECL): The weighted average of "credit losses" with respective risks of a default occurring as the weights.
c) Lifetime ECL: The ECL that results from all possible default events over the expected life of a financial instrument.
d) 12-Month ECL: The portion of "lifetime ECL" that represents the ECL that results from default event on a financial instrument that is possible within the 12 months after the reporting date. They are not the expected cash shortfalls over the next 12 months.
e) Loss Allowance for ECL: The allowance for ECL on financial assets that are debt instruments measured at amortised cost or measured at FVTOCI, as well as lease receivables, loan commitments and financial guarantee contracts.

The Company recognises an impairment loss in P/L and a "loss allowance" for ECL on financial assets that are debt instruments measured at amortised cost. Equity investments are not subject to impairment under IFRS 9.

At initial recognition, DECSI measures the loss allowance for a financial instrument equal to the 12-month ECL.

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At each subsequent reporting date, DECSI measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

Individual assessment for credit losses

Thresholds for assessment

DECSI establishes reasonable threshold for defining individually significant exposures by borrowers and groups of borrowers within portfolio. Threshold for defining individually significant exposures do not exceed 1% of the regulatory capital.

The Company ensures that all exposures subject to individual assessment are tested for credit losses. Where the Company has a number of individually significant exposures to one counterparty each loan is individually assessed.

Calculation of 12 month expected credit losses (Stage 1 Losses)

Concept of stage 1 losses refers to estimation of those credit losses (during the whole life of the exposure), which will result from those default events, which are expected to be incurred within 12-month period from the reporting date. These losses are calculated for all exposures, which are not stage 2 or stage 3 exposures.

Testing exposure for significant increase in credit risk (Stage 2 Losses)

Individually significant exposures are assessed for significant increase in credit risk on a regular basis (for example on a quarterly basis) at least at the end of each reporting period. Concept of stage 2 losses refers to estimation of all losses, which will result from all possible default events over expected life of exposure.

The test for significant increase in credit risk is done individually at least for those exposures:

(a) which meet threshold and grouping requirements, and at the same time;

(b) trigger events for which have occurred since initial recognition of the exposures;

Calculation of stage 2 losses incorporates macroeconomic forecast scenarios published by the NBE. Similar to stage 1 losses the published scenarios affect both, probability of occurrence of the default events during the period and calculation of respective loss amounts.

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Testing exposures for being credit-impaired (Stage 3 Losses)

If one or more events that have a detrimental impact on the estimated future cash flows of an exposure have occurred, respective stage 3 loss is recognized. The loss is calculated as difference between all cash flows that are due to DECSI in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate.

Collective assessment for Credit losses

According to IFRS 9, the Company groups exposures that are collectively assessed based on shared credit risk characteristics such as Credit risk grades, Type of loan, Geographical location, Collateral, Past-due status, Maturity and Type of sector. The groups should be large enough in terms of number of exposures and small enough in terms of variety of exposures, in order to ensure that relevant statistical analysis with sufficient confidence level may be conducted over the group.

For the purposes of IFRS 9 probability of default (PD) is a measure of expected losses rather than incurred losses. Therefore, PD is used for calculation of ECL for the stages.
Main loan loss allowance methodology calculation components include:
(a) Probability of default (PD) – The PD represents probability of occurrence of default events, which are expected to result in credit losses on a financial instrument.
(b) Exposure at default (EAD) – The EAD represents expected outstanding exposure subject to credit risk at the period/date, when default is considered. Estimation of more than one EAD may be necessary to cover full period for which ECL for an exposure is estimated (i.e. remaining maximum contractual period, including extension options, over which the entity is exposed to credit risk).
(c) Loss given default (LGD) – is statistically calculated based on historical loan recovery data and adjusted according to existing conditions and available forward looking information. All forecasted cash flows are discounted at original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) to arrive at net recoverable amount.

Loan classification and provisions as per NBE Directive No. MFI/28/2016

DECSI classifies loans in the categories prescribed in article 8.1 of the NBE Directives no. MFI/28/2016 and provisions is made as determined in article 8.2 of the Directives.
When the amount of the allowance for impairment losses on financial assets exceeds the total amount of provision calculated in accordance with the NBE Directives no. MFI/28/2016, the Company takes no complementary action. Disclosure is only made when impairment losses under IFRS exceed provisions calculated in accordance with the Directives.

When the total amount of provision calculated in accordance with the Directives exceeds the amount of the allowance for impairment losses on financial assets, the Company discloses the difference and its impact on its profit and capital for the period.

Classification of performing and non-performing credit and advances (as per NBE Directive No. MFI/28/2016)

Credit facilities are classified as either performing or non-performing.
The Non-performing credit facilities are classified into three categories- substandard, doubtful or loss - based on the number of days the loan is past due:

Substandard facility – this is credit facility that is past due between 91-180 days after due date. 25% of the entire outstanding loan provision is made for facilities in this category.

Doubtful facility – this is credit facility that is past due between 181-365 days after due date. 50% of the entire outstanding loan provision is made for facilities in this category.
Loss - this is credit facility that is past due for more than 365 days. 100% of the entire outstanding loan provision is made for facilities in this category.

The Company reviews, on a quarterly basis, its loans and advances, and makes appropriate provisions for loan losses as follows:

Number of Days Past Due	Class	Provision
Below 90	Performing	0%
91-180	Substandar	25%
181-365	Doubtful	50%
Over 365	Loss	100%

C. IAS 16 Property, Plant and Equipment

The Company opted to use cost model, and all items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Construction in progress is transferred to other property, plant and equipment when it is ready for its intended use, and is not depreciated until then.

In cases where asset impairments are suspected, the Company performs impairment tests as per IAS 36. When significant part of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual asset with specific useful lives and depreciates them accordingly. All other repairs and maintenances cost are recognised in statement of profit or loss as incurred.

Depreciation

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

Asset Class	Useful Life (in years)
Building	50
Land (right of use)	99
Land improvements	20
Cars, Motor bikes, Office equipment and furniture, Generators, Network Equipment	10
Computers and accessories	10

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

D. IAS 38 Intangible assets

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

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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 expense on intangible assets with finite lives is presented as a separate line item in the income statement. Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortised using the straight-line method over their estimated useful lives of five years.

E. IAS 40 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and the cost can be reliably measured. This is usually when all risks are transferred.

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Investment properties are measured initially at cost, including transaction costs. The Company has opted to subsequently carry investment property at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Investment properties are depreciated using the straight-line method over their estimated useful lives of fifty years.

F. IAS 10 Events after the reporting period

Events after balance sheet date are those events, both favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

i. those that provide evidence of conditions that existed at the balance sheet date (adjusting events); and

ii. those that are indicative of conditions that arose after the balance sheet date (non-adjusting events).

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

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G. IFRS 5 Non-current Assets held for sale

DECSI classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In such a case Management of the Company must be committed to a plan to sell of the asset. In relation to this, cost to sell is measured at present value when a sale is expected to occur after one year.

Buildings that have been held as collateral and later were inherited by the Company and added in to the building account of the Company are classified as asset held for sale based on Management's commitment to a plan to sell of those buildings in the upcoming year.

H. IAS 19 Employee Benefits

Salaries, profit-sharing and bonus payments, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

I. Other Financial items

i. Cash and cash equivalents (IFRS 9)

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

ii. Share capital (IFRS 9)

Share capital is the total of the Company's shares that are held by shareholders. Ordinary shares are classified as share capital in equity.

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iii. Revaluation surplus (IFRS 9)

The property, plant and equipment were revalued at the time of IFRS adoption and the surplus as a result of revaluation of these assets is capitalised and shown as Revaluation Surplus.

Revaluation surplus is made up of periodic adjustment arising from the fair valuation of property, plant and equipment, investment properties and fair valuation of debt instrument at fair value through OCI financial assets and liabilities. The reserve is not available for distribution to the shareholders.

iv. Government grants (IAS 20)

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The Company's government grants are related to the right of use land (where the government has availed land to the Company for free).

v. Impairment of non-financial assets (IAS 36)

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that non-financial assets, including property, plant and equipment, long-term leasehold prepayments, intangible assets and other long-term assets may be impaired.

2.2.9 *Fair value measurement*

The Company measures 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.

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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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

• **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company's Management determines the policies and procedures for both recurring and non-recurring fair value measurement. For the purpose of disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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3 Significant accounting judgements, estimates and assumptions

The preparation of the Company'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. 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.

Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Revenue recognition

To determine the transaction price and the amounts allocated to performance obligations, the Company applies the following estimation:

- Variable consideration is estimated using the most likely amount or expected value based on the nature of the specific consideration and the analysis of relevant contract terms, taking into consideration historical, current and expected information.

- The collectability of a consideration is estimated at contract inception, based on the Company's assessment on the customer's ability and intention to pay when due. The above estimation is inherent in revenue recognition and revenue may materially change if Management's estimation were to change or to be found inaccurate.

(ii) Impairment of loans and receivables

The credit risk of customers is regularly assessed with a focus on the customer's ability and willingness to pay, reflected by the Company's estimation of the expected credit loss allowance on loans, trade receivables and contract assets. The Company estimates expected credit loss by assessing the loss that will be incurred given customer default based on past payment experience and adjusted by the cash flow expected from collateral or credit risk mitigation received where these are considered to be integral to the asset, and by assessing the probability of default taking into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates.

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Impairment is assessed on an individual basis for receivables and contract assets meeting pre-determined critéria, including customers in financial difficulties, and contracts with risk mitigation arrangements or significant financing arrangements, etc. Apart from receivables and contract assets that have been assessed and provided for individually, allowances are estimated using provision matrices by Management with reference to the customers' credit risk ratings and aging analysis of the remaining trade receivable and contract asset balances. If the financial condition of customers were to deteriorate or improve, or actual future economic performance is different to the Company's estimates, additional allowances or reversals may be required in future periods.

(iii) Net realizable value of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature.

(iv) Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Similarly, intangible assets with finite useful life are amortised on a straight-line basis over the estimated useful lives. Both the period and method of depreciation and amortisation are reviewed annually. The depreciation and amortisation expense for future periods is adjusted if there are significant changes, such as operational efficiency or changes in technologies, from previous estimates.

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4 Financial risk management

Introduction

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

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

Risk management structure

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

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

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

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

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

• Credit risk
• Liquidity risk
• Market risk
• Interest rate risk

Risk measurement and reporting systems

The Company'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.

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'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.

Risk mitigation

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

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

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

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Financial instruments by category

The Company's financial assets are classified into the following measurement categories: financial assets measured at amortised cost (loans and receivables), at fair value through OCI and the financial liabilities are classified into other liabilities at amortised cost.

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

30 June-2023	Notes	FVTOCI	Amortized Cost	Total
Cash & balances with banks	5	-	3,513,394,494	3,513,394,494
Loans & advances to customers	7	-	9,485,586,376	9,485,586,376
Other assets and prepayments	8	-	1,637,608,104	1,637,608,104
Investment securities:				
Financial assets at amortized cost	6(a)	-	-	-
through OCI	6(b)	150,999,900	-	150,999,900
Total financial assets		**150,999,900**	**14,636,588,975**	**14,787,588,875**

30 June 2024	Notes	FVTOCI	Amortized Cost	Total
Cash & balances with banks	5	-	2,513,006,640	2,513,006,640
Loans & advances to customers	7	-	11,692,130,582	11,692,130,582
Other assets and prepayments	8	-	1,622,502,986	1,622,502,986
Investment securities:				
cost	6/a/	-	-	-
Financial assets at fair value through OCI	6/a/	144,533,171	-	144,533,171
Total financial assets		144,533,171	15,827,640,208	15,972,173,380

Credit risk

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

Management of credit risk

In measuring credit risk of loans and receivables to various counterparties, the Company considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counterparty/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. The Company's policy is to lend principally on the basis of the customer's repayment capacity through various evaluation. However as much as possible the Company ensures that the loans are backed by collateral to reflect the risk of the obligors and the nature of the facility.

In the estimation of credit risk, the Company estimates 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**

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

c **Exposure at Default**

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

Maximum exposure to credit risk before collateral held or credit enhancements

The Company's maximum exposure to credit risk as at 30 June 2024 and 30 June 2023 is represented by the net carrying amounts in the statement of financial position as given below.

	30-Jun-24	30-Jun-23
Cash & balances with banks	2,513,006,640	3,513,394,494
Loans & advances to customers (Net)	11,692,130,933	9,485,586,376
Other assets and prepayments	1,622,502,986	1,637,608,104
Investment securities:	-	-
Financial assets at amortized cost	-	-
Financial assets at fair value through OCI	144,533,171	150,999,900
Total financial assets	15,972,173,730	14,787,588,875
Credit risk exposures relating to off balance sheets are as follows:		
Loan Commitment		
Total off balance sheet exposure		
Total maximum exposure	15,972,173,730	14,787,588,875

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Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 30 June 2024. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit risk exposure	Stage 1 12 Month ECL	Stage 2 Life time ECL	Stage 3 Life time ECL	Total 2024	30-Jun-23
Stage 1 - Neither past due nor credit impaired	2,893,319			2,893,319	10,694,512
Stage 2 - Past due but not credit impaired		14,365,645		14,365,645	47,603,302
Stage 3 - Credit impaired			825,408,925	825,408,925	1,738,840,745
Total gross exposure	**2,893,319**	**14,365,645**	**825,408,925**	**842,667,889**	**1,797,138,559**
Loss allowance	(2,893,319)	(14,365,645)	(825,408,925)	(1,797,138,559)	(714,341,176)
Net carrying amount	**-**	**-**	**-**	**(954,470,670)**	**1,082,797,383**

Amounts arising from ECL

i) inputs, assumptions and techniques used for estimating impairement
See accounting policy in Note 3.

ii) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

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

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

iii) Generating the term structure of PD

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

iv) Determining whether credit risk has increased significantly

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

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

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

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

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

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

v) Definition of default

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

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

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

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Institution; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

vi) Incorporation of forward-looking information

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

External information which includes economic data and forecasts, an external and independent macroeconmic data body will be considered in the forard lookig information assesment. This is in addition to industry-level, semi annual NPL trends across statistically comparable sectors.

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

vii) Measurement of ECL

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

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

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.
LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

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

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

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

viii) Loss allowance

Disclosure for this is provided in another sheet (Note 4a)

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DEDEBIT CREDIT AND SAVINGS INSTITUTION

Statement of Prudential Adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the forward-looking model required by IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.
The proclamation 'Financial Reporting Proclamation No.847/2014 stipulates that Financial Institutions would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, the Company would be required to comply with the following:

(a) Provisions for loans recognised 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 and the expected impact/changes in other reserves should be treated as follows:
• Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
• Prudential provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve (retained earnings) account

(b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

	30-Jun-24	30-Jun-23
Total impairment based on IFRS	842,667,889	1,797,138,559
Total impairment based on NBE Directives	277,569,609	364,625,224
Variation	**(565,098,280)**	**(1,432,513,335)**

Credit Concentration

The Company monitors concentrations of credit risk by type of product (type of loan). An analysis of concentrations of credit risk as at 30 June 2024 and 30 June 2023 is presented below.

	30-Jun-24		30-Jun-23	
	Amount	Percentage	Amount	Percentage
Regular	2,661,791,567	24.31%	1,719,205,353	17.19%
Civil servant	306,813,746	2.80%	247,386,081	2.47%
TVET	-	0.00%	633,394	0.01%
Cooperative	100,260	0.00%	2,016,571	0.02%
Input	2,060,653	0.02%	4,484,335	0.04%
Business	2,384,412,733	21.77%	1,718,428,828	17.19%
Housing	3,060,220,319	27.94%	3,624,099,925	36.24%
Leasing	10,928,769	0.10%	13,119,741	0.13%
AWUD	46,168,343	0.42%	22,164,117	0.22%
CGF	335,003,195	3.06%	423,668,865	4.24%
WEDP	27,664,204	0.25%	45,126,618	0.45%
Model & Graduates	68,466,055	0.53%	84,408,395	0.84%
TVS	57,949,713	0.53%	75,543,284	0.76%
Electric Poal	7,081,009	0.06%	13,132,117	
Rural Package	445,152,956	4.06%	586,057,935	5.86%
Urban Package	578,871,920	5.29%	753,603,482	7.54%
Re&Ep	9,236,627	0.08%	10,936,504	0.11%
Revolving Fund Loan	503,652,272	4.60%	511,837,167	5.12%
Staff Loan	269,834,944	2.46%	136,895,709	
Loyal Loan	153,465,034	1.40%	5,930,000	
Women with out Qualaterial	22,060,074	0.20%	457,204	
Accrued interest	1,607,265,952		1,306,990,831	
	12,558,200,345	99.90%	11,306,126,458	98.44%

MARKET RISK

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

The Company does not ordinarly engage in trading activities as there are no active markets in Ethiopia.

INTEREST RATE RISK

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

The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's interest bearing financial assets and interest bearing financial liabilities at carrying amounts as at 30 June 2024 and 30 June 2023.

	Interest variable	30-Jun-24	30-Jun-23
Asset			
Cash & balances with banks	Fixed	2,513,006,640	3,513,394,494
Loans & advances to customers (Net)	Fixed	11,692,130,933	9,485,586,376
Investment securities	Fixed	144,533,171	150,999,900
Total interest bearing financial assets		**14,349,670,745**	**13,149,980,771**
Liablities			
Deposits from customers	Fixed	14,147,264,426	13,296,381,475
Borrowings	Fixed	697,591,449	709,845,258
Total interest bearing financial liabilities		**14,844,855,875**	**14,006,226,733**
Net interest sensitivity gap		**(495,185,130)**	**(856,245,962)**

The information about maturities of interest bearing financial assets and interest bearing financial liabilities is given in liquidity risk quantitative disclosures (see Note 4b).

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

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4b LIQUIDITY RISK

Liquidity risk refers to the availability of sufficient funds to meet loan repayments and other financial commitments associated with financial instruments as they actually fall due.

In order to manage liquidity risk the Company performs regular monitoring of future expected cash flows which is a part of the asset-liability management process. An analysis of the liquidity risk is presented in the following table. The presentation below is based upon the information provided by key management personnel of the Company.

Liquidity of financial assets and liabilities as at 30 June 2024 can be presented in the following table:

Financial assets	Note	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Cash and cash equivalents	5	1,492,519,794	1,020,486,846	-	-	2,513,006,640
Loans & advances to customers	7	-	-	2,160,913	12,532,637,558	12,534,798,471
Total financial assets as at 30 June 2024		**1,492,519,794**	**1,020,486,846**	**2,160,913**	**12,532,637,558**	**15,047,805,111**

Financial liabilities	Note	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Deposits from customers	10	13,621,348,752	-	-	525,915,674	14,147,264,426
Borrowings	12	-	-	-	697,591,449	697,591,449
Total interest bearing financial liabilities		**13,621,348,752**	**-**	**-**	**1,223,507,123**	**14,844,855,875**
Other liabilities	11	1,135,101,691	-	-	11,157,549	1,146,259,240
Total financial liablities as at 30 June 2024		**14,756,450,443**	**-**	**-**	**1,234,664,672**	**15,991,115,115**
Financial commitments and contingencies		-	-	-	-	-
Total financial liablities, commitments and contingencies as at 30 June 2024		**14,756,450,443**	**-**	**-**	**1,234,664,672**	**15,991,115,115**
Liquidity gap as at 30 June 2024		**(13,263,930,649)**	**1,020,486,846**	**2,160,913**	**11,297,972,886**	**(943,310,003)**

5 CASH & BALANCES WITH BANKS

Cash and bank balances as at 30 June 2024 and 2023 can be presented as follows:

	30-Jun-24	30-Jun-23
On hand	266,026,507	347,847,223
Cash at bank	1,221,203,445	2,085,694,963
Deposit with banks	1,000,000,000	1,000,000,000
Electronic Money	5,289,842	-
Accrued interest from deposits with banks	20,486,846	79,852,308
Total cash and balances with banks	**2,513,006,640**	**3,513,394,494**

6 INVESTMENT SECURITIES

6(a) At amortised cost

Government bond (Grand Ethiopian Renaissance Dam Bond) as at 30 June 2024 and 30 June 2023 comprises the following:

	30-Jun-24	30-Jun-23
	-	-

6(b) At fair value through OCI

Equity investment as at 30 June 2024 and 30 June 2023 comprises the following:

	30-Jun-24	30-Jun-23
	144,533,171	**150,999,900**

A breakdown of the Equity Investment is as follows:

	30-Jun-24	30-Jun-23
Kaza Capital Goods Lease Finance S.C. *	149,999,900	149,999,900
Association of Ethiopian Micro Finance Institutions (AEMFI)	1,025,000	1,000,000
Imparment loss on equity investment	(6,491,729)	-
	144,533,171	**150,999,900**

** The Company has made investment in more than 72% of the capital stock of Kaza Capital Goods Lease Finance S.C. Kaza is the subsidiary of the Company.*

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7 LOANS & ADVANCES TO CUSTOMERS

Loans and advances to customers as at 30 June 2024 and 2023 can be presented as follows:

	30-Jun-24	30-Jun-23
Gross loans to customers		
Regular	2,661,791,567	1,719,205,353
Civil servant	306,813,746	247,386,081
TVET		633,394
Cooperative	100,260	2,016,571
Input	2,060,653	4,484,335
Business	2,384,412,733	1,718,428,828
Housing	3,060,220,319	3,624,099,925
Leasing	10,928,769	13,119,741
AWUD	46,168,343	22,164,117
CGF	335,003,195	423,668,865
WEDP	27,664,204	45,126,618
Model & Graduates	68,466,055	84,408,395
TVS	57,949,713	75,543,284
Electric Poal	7,081,009	13,132,117
Rural Package	445,152,956	586,057,935
Urban Package	578,871,920	753,603,482
Re&Ep	9,236,627	10,936,504
Revolving Fund Loan	503,652,272	511,837,167
Staff Loan	269,834,944	136,895,709
Loyal Loan	153,465,034	5,930,000
Women with out Qualaterial	22,060,074	457,204
Total gross loans & advances to customers	10,950,934,393	9,999,135,627
Accrued interest according to the agreement	1,607,265,952	1,306,990,831
Remeasurement of interest on staff loans	-	-
Remeasurement of fair value of prepaid staff asset	(23,401,522)	(23,401,522)
Less : allowance for impairment losses	(842,667,889)	(1,797,138,559)
Net loans & advances to customers	**11,692,130,933**	**9,485,586,376**

Movments in the loan impairment allowance for the year ended 30 June 2024 and 30 June 2023 can be presented as below:

	30-Jun-24	30-Jun-23
Balance at the beginning of the year per IFRS 9	1,797,138,559	714,341,176
Impairment loss (impairment gain) for the year	(954,470,670)	1,082,797,383
Balance at the end of the year	**842,667,889**	**1,797,138,559**

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024
(IN ETHIOPIAN BIRR)

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

	30-Jun-24	30-Jun-23
Current and less than 30 days overdue	6,698,126,782	3,760,723,597
31 to 90 days overdue	56,570,028	168,473,703
Above 90 days overdue	4,196,237,231	6,069,938,328
Total gross loans & advances to customers	10,950,934,041	9,999,135,627
Accrued interest according to the agreement	1,607,265,952	1,306,990,831
Remeasurement of fair value of prepaid staff asset	(23,401,522)	(23,401,522)
Less : allowance for impairment losses	(842,667,889)	(1,797,138,559)
Balance at the end of the year	**11,692,130,582**	**9,485,586,376**

Reconciliation of loans & advances to customers according to the agreement and effective interest rate is provided below:

	30-Jun-24	30-Jun-23
Originated loans to customers according to the agreement	10,950,934,041	9,999,135,627
Accrued interest according to the agreement	1,607,265,952	1,306,990,831
Remeasurement of fair value of prepaid staff asset	(23,401,522)	(23,401,522)
Gross loans to customers according to the agreement	12,534,798,471	11,282,724,936
Gross loans & advances to customers	12,534,798,471	11,282,724,936
Less: allowance for impairment losses	(842,667,889)	(1,797,138,559)
Net loans & advances to customers	**11,692,130,582**	**9,485,586,376**

Breakdown of current and noncurrent portions can be presented as follows:

	30-Jun-24	30-Jun-23
Current portion	2,160,913	6,500,906
Noncurrent portion	12,532,637,558	11,276,224,030
Total loans & advances	**12,534,798,471**	**11,282,724,936**

DEDEBIT CREDIT AND SAVINGS INSTITUTION

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8 OTHER ASSETS AND PREPAYMENTS

Other assets and prepayments as at 30 June 2024 and 2023 can be presented as follows:

	30-Jun-24	30-Jun-23
Pension service commission	2,582,204	2,594,243
Development Bank of Ethiopia	5,672,493	8,121,036
Staff & ex-staff	108,306,999	17,616,553
Pre payments	75,742,126	31,647,440
Social fund	1,120,184	1,097,816
Social Security Authority	42,566,383	42,366,951
Bureau of Water Resource	17,936,491	17,936,491
Tigray National Regional Government	561,537,606	532,921,935
Migration Account/Adjustment & Refund	721,399,814	874,581,423
Non-consumable inventory & Consumable inventory	47,654,189	23,093,339
Inventory of gold	339,221	25,848,854
Remeasurement of fair value of prepaid staff asset	23,401,522	23,401,522
Sundry	14,243,753	36,380,500
Total other assets and Prepayments	**1,622,502,986**	**1,637,608,104**

Breakdown of current and noncurrent portions can be presented as below:

	30-Jun-24	30-Jun-23
Current portion	1,599,101,463	1,614,206,582
Noncurrent portion	23,401,522	23,401,522
Total other assets and Prepayments	**1,622,502,986**	**1,637,608,104**

9(a) PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment as at 30 June 2024 and 30 June 2023 can be presented as follows:

	Land-Right of Use	Building	Land Improvments	Construction in progress	Cars	Motor Cycle	Computer & Accessories	Office Equipment & Ferniture	Generator	Network D/ Center R12-IE&17USI	Total
Cost:											
As at 1 July 2022	234,516,695	289,598,750	28,667,033	12,560,294	25,412,802	4,490,964	42,713,056	61,966,992	14,430,998	24,708,557	739,066,141
Additions	-	-	-	-	-	-	25,213,546	13,895,961	-	-	39,109,508
At 30 June 2023	234,516,695	289,598,750	28,667,033	12,560,294	25,412,802	4,490,964	67,926,602	75,862,953	14,430,998	24,708,557	778,175,648
As at 1 July 2023	234,516,695	289,598,750	28,667,033	12,560,294	25,412,802	4,490,964	67,926,602	75,862,953	14,430,998	24,708,557	778,175,648
Additions	-	-	-	-	-	-	22,512,365	47,468,203.38	-	1,029,643	71,010,212
Adj. (Reclassification)	-	-	-	-	-	-	12,386,007	(6,756,085)	-	-	5,629,921
Disposal	-	-	-	-	-	-	-		-	-	-
At 30 June 2024	234,516,695	289,598,750	28,667,033	12,560,294	25,412,802	4,490,964	102,824,975	116,575,071	14,430,998	25,738,200	854,815,782
Accumulated depreciation											
As at 1 July 2022	11,268,611	36,056,750	6,670,282	-	12,258,970	4,488,762	16,296,710	36,492,868	3,403,184	21,583,430	148,519,567
Charge for the year	2,368,619	5,791,975	1,433,352	-	2,541,280	-	4,277,641	6,133,257	1,443,100	2,131,005	26,120,228
At 30 June 2023	13,637,229	41,848,725	8,103,633	-	14,800,250	4,488,762	20,574,351	42,626,125	4,846,284	23,714,435	174,639,795
As at 1 July 2023	13,637,229	41,848,725	8,103,633	-	14,800,250	4,488,762	20,574,351	42,626,125	4,846,284	23,714,435	174,639,795
Charge for the year	2,368,619	5,791,975	1,433,352	-	2,541,280	-	7,312,855	7,857,905	1,443,100	2,131,005	30,880,090
At 30 June 2024	16,005,848	47,640,700	9,536,985	-	17,341,530	4,488,762	27,887,206	50,484,031	6,289,384	25,845,439	205,519,885
As of June 30, 2023 Book Value	220,879,466	247,750,025	20,563,400	12,560,294	10,612,552	2,202	47,352,251	33,236,828	9,584,714	994,122	603,535,853
As of June 30, 2024 Book Value	218,510,847	241,958,050	19,130,048	12,560,294	8,071,272	2,202	74,937,768	66,091,040	8,141,614	(107,239)	649,295,897

9(b) INTANGIBLE ASSETS

Intangible asset (T24 core banking software R12-te) as at 30 June 2024 and 30 June 2023 can be presented as follows:

Cost:	
Cost At July 1/2022	136,834,770
Additions	-
Adjustment	-
As at 30 June, 2023	**136,834,770**
Cost At July 1/2023	136,834,770
Additions	6,450,450
Adjustment	-
As at 30 June, 2024	**143,285,221**
Accumulated Amortization:	
As at 1 July, 2022	**(69,674,454)**
Amortization for the year	(3,032,683)
Adjustment	-
As at 30 June, 2023	**(72,707,137)**
Amortization for the year	(122,313)
Adjustment	-
As at 30 June, 2024	**(72,829,450)**
Book value:	
As at 30 June, 2023	**64,127,634**
As at 30 June, 2024	**70,455,771**

9(c) INVESTMENT PROPERTIES

Investment property (buildings) as at 30 June 2024 and 30 June 2023 can be presented as follows:

Cost at 1 July, 2022	3,112,379
Additions	-
Adjustment	-
Disposal	-
Accumulated Deprciation beginning	(311,238)
Dep charge for the year	(62,248)
Total Accumulated Dep	(373,485)
As of 30 June 2023 Book value	**2,738,893**
Cost at 1 July, 2023	3,112,379
Additions	-
Adjustment	-
Disposal	-
Accumulated Deprciation beginning	(373,485)
Dep charge for the year	(62,248)
Total Accumulated Dep	(435,733)
As of 30 June 2024 Book value	**2,676,646**

9(d) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale as at 30 June 2024 and 30 June 2023 can be presented as below:

Cost at 1 July, 2022	1,877,959
Additions	-
Disposal	-
Adjustment	-
As of 30 June 2023 Book value	**1,877,959**
Cost at 1 July, 2023	1,877,959
Additions	-
Disposal	-
Adjustment	-
As of 30 June 2024 Book value	**1,877,959**

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10 DEPOSITS FROM CUSTOMERS

Deposits from customers as at 30 June 2024 and 30 June 2023 comprises the following:

	30-Jun-24	30-Jun-23
Current account	656,747,700	649,013,762
Time deposit	78,543,783	-
Personal savings	12,654,660,148	12,002,748,353
Group savings	503,169,701	413,445,818
Center savings	22,745,973	24,272,944
Interest Payable on Deposits	231,397,121	206,900,598
Total deposits from customers	**14,147,264,426**	**13,296,381,475**

Breakdown of current and noncurrent portions can be presented as below:

	30-Jun-24	30-Jun-23
Current portion	13,621,348,752	12,858,662,713
Noncurrent portion	525,915,674	437,718,762
Total deposits from customers	**14,147,264,426**	**13,296,381,475**

11 OTHER LIABILITIES

Other liabilities as at 30 June 2024 and 30 June 2023 comprise the following:

	30-Jun-24	30-Jun-23
Premium payable	58,078,293	19,240,390
Local transfer payable	1,952,197	87,759,566
M - Birr ICT services Plc	32,021,299	10,499,385
Guarantee Fund	23,985,457	17,839,950
Agency for Medium & Small Enterprises	51,362,204	51,362,204
Package program	42,952,446	79,508,723
Bureau of Agriculture & Rural Development	76,445,179	8,173,142
Fertilizer Down payment	922,265	1,241,085
Bureau of Water & Energy	16,922,993	21,185,883
Bureau of Labour & social affair	2,862,418	2,862,418
Bureau of planing & finance (Youth revolving fund)	529,210,413	528,564,474
Mekelle zone Administration Office	2,603,494	2,603,494
Relief Society of Tigray (REST)	79,097,088	77,241,722
International Labour Organaization (ILO)	10,140,655	10,140,655
Dello Ado (REST - Somali Refuge Project)	11,675,000	11,675,000
NGOs	10,802,021	17,762,537
Tigray Disabled Veterans Association (TDVA)	707,578	710,483
Tigray Development Association (Note 11b)	1,124,386	1,286,261
GTZ	111,863	336,888
Freaddis Ethiopia	202,475	202,475
Save the Children	660,065	659,865
Ethiopian Road Authority	855,983	855,983
Mining & energy	2,542,502	2,525,905
Unearned interest	11,157,549	36,157,549
Inter DECSI account	20,163,787	11,117,912
Accrued audit fee	-	1,230,500
Retention payable	798,160	359,138
ISCO	3,685,044	3,687,421
Office rent	5,569,927	5,569,962
CPO	4,573,508	2,642,408
5%Tax on Saving Account	16,634,030	-
Income tax	15,748,191	23,318,302
Withholding tax	1,964,563	447,209
Provident Fund	5,704,268	1,451,561
Pension	12,247,413	19,148,036
Cash indemnity	657,758	681,965
Cost sharing	14,390	17,144
Unclaimed salary	290,674	438,171
Labour Association	1,732,948	-
Wedep Client	1,943,056	-
Sundry	86,135,698	221,784,329
	1,146,259,240	**1,282,290,097**

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Breakdown of current and noncurrent portions can be presented as below:

	30-Jun-24	30-Jun-23
Current portion	1,135,101,691	1,246,132,548
Noncurrent portion	11,157,549	36,157,549
Total other liabilities	**1,146,259,240**	**1,282,290,097**

12 BORROWINGS

Borrowings as at 30 June 2024 and 30 June 2023 comprise the following:

	2024	2023
Development Bank of Ethiopia (12a)	697,591,449	709,845,258
Administered loan	-	-
Total borrowings	**697,591,449**	**709,845,258**

Breakdown of borrowings by current and noncurrent portions can be presented

	2024	2023
Current portion	256,701,576	256,701,576
Noncurrent portion	440,889,873	453,143,682
Total borrowings	**697,591,449**	**709,845,258**

12a

A contract is made and entered between the Development Bank of Ethiopia & Dedebit Credit & Savings Institution S.C for the impilmentation of the credit fund component of Rural financial intermidation organaization II (RUFIP), Agricultural Marketing Improvement Program (AMIP), Marketing Development for Renewable Energy and Energy Efficient products (MDFRE & EEP) and Women Enterpreuner Development Program (WEDP). Whereas DECSI has applied to finance the loan-able fund requirnment solely & exclusively to poor rural households in line with best micro financing practices. The loan is at an interest rate of 8% per annum and is repayable on semi-annual instalments.

13 GUARANTEE FUND

Guarantee fund represents amount paid by the below mentioned organizations to the Company for guaranteeing expected defaulters of package program loan beneficiaries.

Guarantee fund as at 30 June 2024 and 30 June 2023 comprise the following:

	2024	2023
Food Security Co-ordination Office	990,486	990,486
Bureau of Agr. & Rural Development	1,500,000	1,500,000
Total guarantee fund	**2,490,486**	**2,490,486**

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Breakdown of current and noncurrent portions can be presented as below:

	2024	2023
Current portion	2,490,486	2,490,486
Noncurrent portion	-	-
Total guarantee fund	**2,490,486**	**2,490,486**

14 PROVISION FOR EMPLOYEE BENEFITS

The Company maintains provision for employee benefits as at 30 June 2024 and 30 June 2023 as shown below. Additional disclosure is found in Note 14a.

	2024	2023
Annual leave	220,645,600	86,815,738
Severance pay	7,305,271	1,429,424
Loan below market interest rate	3,429,513	3,429,513
Annual leavepaid	(7,738,958)	(3,387,863)
Severance paid	(6,804,343)	(41,651)
Total provision for employee benefits	**216,837,083**	**88,245,163**

Breakdown of current and noncurrent portions can be presented as below:

	2024	2023
Current portion	216,837,083	88,245,163
Noncurrent portion	-	-
Total provision for employee benefits	**216,837,083**	**88,245,163**

14a EMPLOYEE BENEFITS

This Standard prescribes the accounting and disclosure for employee benefits. It requires an entity to recognize: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

The Company considers the following employee benefits:

i. *Short-term employee benefits*
ii. *Pension contribution /Provident fund*
iii. *Retirement employee benefits*
iv. *Staff loan offered at below market interest rate*

(1) Short-term employee benefits

The Company categorises paid annual leaves as short-term employee benefits. The accumulated annual leaves in case of the Company are vesting (where employees are entitled to a cash payment for unused entitlement on leaving the entity). The Company recognises the expected cost of short-term employee benefits in the form of paid absences when the employees render service that increases their entitlement to future paid absences

The recognition and measurement for short-term benefits shall be based on the normal principles of accruing for expenditures as incurred. Therefore, the Company shall recognise an undiscounted amount of short term employee benefits, owing to have been rendered in the period, as a liability (accrued expense) after deducting any amount already paid. Accordingly:

(2) Retirement employee benefits

a. Pension contribution or Provident fund

As per article 34 of the collective agreement between DECSI and the Labor Union of DECSI dated 10/03/2011 E.C., pensions shall be provided to employees through **defined contribution plans.** In accounting for defined contribution plan (Pension/ provident fund contribution plan), DECSI's obligation for each period shall be determined by the amounts to be contributed for that period. DECSI shall have no legal or constructive obligations to pay further contributions in the event the fund fails to hold sufficient assets to pay all employee benefits related to employee service in the current and prior periods.

The Company operates two defined contribution plans:

Pension scheme in line with the provisions of Ethiopian pension of private organization employees' proclamation No. 715/2011. Funding under this scheme is 7% and 11% by employees and DECSI, respectively for employees hired since 2013. Besides, 1% of basic salary is held as a provision for provident fund in the name of the employees of DECSI as additional benefit to employees hired since 2013.

The obligations are 12% of the basic salary of employees which shall be contributed by the employer and payable to the provident fund account or the Private Enterprises Pension Agency. Employees shall contribute 8% and 7% of their basic salary towards the fund or the agency, respectively. The only specific disclosure required by IAS 19 in respect of defined contribution plans is the amount recognized as an expense in the period (IAS 19 paragraph 52).

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b. Severance pay

Retirement employee benefits, such as severance pay, are payable after the termination of employment contract. According to proclamation No. 377/2003, Chapter 2 and article 23, a contract of employment shall only be terminated upon initiation by the employer or the worker and in accordance with the provisions of the law (article 24, No. 377/2003) or articles 35 and 37 of the collective agreement or by agreement of the two parties (article 25, No. 377/2003).

Thus, termination benefits are payable to the employees when employment is terminated by the Company before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Employees with a minimum of 5 years' service are entitled for termination benefits. The event which gives rise to an obligation is the termination rather than employee service. However, termination benefits have not been recognized as an expense so far although the Company was demonstrably committed to terminate employment without withholding such benefits.

The employee turnover rate is the proportion of an organization's workforce that leaves during a given period and must be replaced. Both voluntary and involuntary separations are included. To figure out the employee turnover ratio for the calculation provision for the total number of separations that occurred during the years 2014-2019 is obtained on a 12 month (annual) basis. The average number of employees for the period under consideration is calculated. To figure this average, the number of employees at the beginning of the year is added to the number at the end and divided by two.

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(3) Staff loan benefits

Loans are provided by the Company to its employees at below the market rate and therefore, there is some employee benefit involved, falling under the scope of IAS 19 *Employee Benefits*. Based on the data obtained for the period January, 2020 - June 30, 2021, two types of loans were offered at below market rate of interest. That is, a 5-year loan at the rate of 8% and a 15-year loan at the rate of 11%. The differences of 6% and 3% are employee benefits supposed to be recognized by the Company in line with IAS 19 rules. The problem is that IAS 19 does not provide any direct guidance on accounting for this form of benefits, and therefore we need to apply general principles of IAS 19. Thus, the benefits have to be recognized on the principal balance at the time of loan installment payment or whole loan settlement as short term employee benefit.

Under IFRS, such loans must be recognized at fair value by discounting all future cash flows in the market rate of interest for similar loans. The difference between the discount amounts and the fair value of the loan has to be capitalized as prepaid employee expenses and recognized as part of other assets. The interest is calculated using nominal rate under previous framework; whereas under IFRS, the increase in interest income recognized consequent to the effective interest rate shall be recognized in retained earnings.

The interest income from staff loan was first calculated at 8% and 11% for medium (5 years) and long-term (15 years) loans, respectively. These rates are below the market interest rate and show employees are getting benefit by virtue of their employment contract. IFRS requires adjustment in such cases. Therefore, first the fair value of the staff loan (Financial Asset) was calculated by first forecasting the cash inflows from staff loans; and then discounting at market rate (14%). This is the rate employees of the Company would have been charged for similar loans if they were not its staff.

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15 SHARE CAPITAL

	2024	2023
Authorised:		
600,000 Ordinary shares of 100 Birr each	60,000,000	60,000,000
Issued and fully paid:		
100,000 Ordinary shares of 100 Birr each (50,000 as of 30 June 2024)	10,000,000	10,000,000

The authorized capital of the company is Birr 60,000,000 divided into 600,000 shares of Birr 100 each, out of which as of June 30, 2024 only 100,000 shares have been subscribed and fully paid and held as follows:

Name of shareholder	No. of shares	Par value	Amount
Relief Socity of Tigray (REST)	49,998	100	4,999,800
Tigray National Regional Government	25,000	100	2,500,000
Women's Association of Tigray (WAT)	19,000	100	1,900,000
Tigray Farmers Association	3,000	100	300,000
Tigray Youth Association	3,000	100	300,000
Ato Tekleweyni Assefa	2	100	200
	100,000		10,000,000

16 EARNINGS PER SHARE

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

	2024	2023
Loss/Profit for the year	494,844,613	(1,269,633,271)
Weighted average share	100,000	100,000
Earnings per share	**4,948**	**(12,696)**

17 DONATED CAPITAL

Donated capital as at 30 June 2024 and 30 June 2023 is shown below:

	2024	2023
Balance, beginning of year	130,799,229.00	130,799,229
Current year donations (from Care Ethiopia)	-	-
Adjustment during transition from GAAP to IFRS		
Balance, end of year	130,799,229	130,799,230

18 RETAINED EARNINGS

Movement of Retained Earnings for the year ended 30 June 2024 and 30 June 2023 is shown below:

	2024	2023
Beginning Balance	(3,361,196,604)	(2,174,161,726)
Add: Prior period adjustment	(87,055,415)	38,029,888
	(3,448,252,019)	(2,136,131,838)
Transfer to legal reserve	(2,000,000)	-
Transfer to regulatory risk reserve	697,919,868	38,029,888
Add: Net profit (loss) for the year	501,383,230	(1,263,094,654)
Balance at 30 June as per IFRS	**(2,250,948,921)**	**(3,361,196,604)**

19 TAXATION CHARGE

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

20 REVALUATION SURPLUS

Revaluation surplus is made up of periodic adjustment arising from the fair valuation of property, plant and equipment, investment properties and fair valuation of debt instrument at fair value through OCI financial assets and liabilities. The reserve is not available for distribution to the shareholders.

Revaluation surplus as at 30 June 2024 and 30 June 2023 is shown below:

	2024	2023
Beginning balance	130,120,428	136,659,045
Transfer of excess depreciation in the year	(6,538,617)	(6,538,617)
Ending balance	**123,581,812**	**130,120,428**

21 REGULATORY RISK RESERVE

Beginning balance	2,950,014,257	2,988,044,145
Transfer from Retained Earning	(697,919,868)	(38,029,888)
	2,252,094,389	**2,950,014,257**

The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the Expected Credit Loss model.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the Expected Credit Loss under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Company.

Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the Expected Credit Loss under IFRS, the difference is transferred from regulatory risk reserve to the retained earning to the extent of the non-distributable reserve previously recognised.

22 NET INTEREST INCOME

Net interest income for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Interest income is arising from:		
Loans under IFRS	1,735,852,845	819,046,536
Remeasurement:		
Interest income on staff loans	-	-
Interest on Loans under IFRS	1,735,852,845	819,046,536
Interest on deposits	193,066,049	337,519,380
Discount on interest income	(175,347,313)	(60,472,788)
Total interest income	**1,753,571,581**	**1,096,093,128**

	2024	2023
Interest expense is arising from:		
Personal savings	1,028,147,510	803,883,301
Group savings	15,687,357	13,266,357
Center savings	1,389,116	1,417,051
Borrowings	194,128,066	46,130,005
Premuim Deposit Insurance	38,574,700	-
Total interest expense on financial liabilities recorded at amortised cost	**1,277,926,749**	**864,696,714**

23 SERVICE FEES AND OTHER OPERATING INCOME

Net service fees and other operating income for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Commission on local transfer	1,173,014	1,020,856
Commissions	173,802	-
Telephone charge on local transfer	233,958	32,652
Estimation & inspection fees	2,098,558	20,673
Total service fees	3,679,332	1,074,181
Cash overages (surplus)	1,124,200	214,994
Sales of pass books	2,536,177	300,214
Penalties	156,239	91,218
Office rent	10,552,601	1,448,656
Service charge	404,688	1,100
Gain on disposal of fixed asset	79,041	20,124
Sales of bid document	49,906	6,083,162
Cost of cheque book	29,548	6,340
Investement income	24,817	
Sundry	15,769,863	14,126,405
Total other operating income	**30,727,079**	**22,292,212**
Total service fees and other operating income	**34,406,411**	**23,366,393**

24 INCOME FROM GOVERNMENT GRANT

Income from government grant for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Reclassification of right of use land (long-term liability) to income	2,368,619	2,368,619
Total income from government grant	**2,368,619**	**2,368,619**

25 SALARIES AND OTHER EMPLOYEE BENEFITS

Staff related expenses for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Salaries & wages	484,734,008	233,815,687
Employee benefits	139,910,036	64,153,233
Provision for employee benefits	143,135,223	16,951,640
Total salaries and other employee benefits	767,779,267	314,920,560

26 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMEN

Depreciation expense for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Depreciation expense	30,942,338	26,182,476
Total depreciation expense	**30,942,338**	**26,182,476**

27 AMORTISATION OF INTANGIBLE ASSETS

Amortisation expense for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Amortisation expense	122,313	3,032,683
Total amortisation expense	**122,313**	**3,032,683**

28 GENERAL & ADMINISTRATION EXPENSES

General and administration expenses for the years ended 30 June 2024 and 30 June 2023 can be presented as follows:

	2024	2023
Office supplies	20,642,279	4,143,239
Rent	29,004,821	11,515,387
Communications	-	352,926
Utilities	5,950,956	3,815,130
Bank service charge	4,766,271	919,006
Fuel & lubricants	4,857,036	1,708,617
Insurance	326,864	168,450
License fees	48,719,978	42,849,842
Subscription fees	1,693,716	331,628
Consultant fee	3,119,600	104,200
Legal fee	539,797	9,417
Transportation	1,313,330	489,859
Tax on interest from savings	12,650,837	27,686,258
impairment loss on investment in	6,491,729	-
Advertisement	13,541,135	1,450,385
Entertainment & inauguration	4,319,904	354,141
Repairs & maintenance	4,481,510	883,931
Cleaning supplies	619,531	417,763
Sundry	9,667,711	1,717,195
Total general & administration expenses	**172,707,002**	**98,917,375**

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29 RESTATEMENT OF FINANCIAL STATEMENTS

The Company's core banking system was down/closed during the war in Tigray region during 2022 fiscal year and some branches transactions were recorded manually and a report was issued on July 02, 2024 for the Company's 2022 fiscal year accounts. However, when the core banking system was fully operational during this year missed branch transactions were noticed and retrospective adjustment was required.

IAS 8 requires an entity shall correct material prior period errors/omissions retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for the prior periods presented in which the error accrued and it shall disclose the nature & amount of prior period errors.

The changes in the financial statement for 2022 Fiscal year is as follows:-

29.1 STATEMENT OF FINANCIAL POSITION

	Reported 2022	Restated 2022
ASSETS		
Cash & balances with banks	4,143,415,092	4,148,588,128
Loans and advances to customers - net	10,258,958,674	10,250,078,889
Other assets and prepayments	1,386,016,036	1,530,593,170
LIABILITIES		
Deposits from customers	12,961,204,114	13,317,728,919
Other liabilities	1,290,619,134	1,318,808,125
EQUITY		
Retained earnings	(1,930,379,049)	(2,174,161,726)

29.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

INCOME	Reported 2022	Restated 2022
Interest income	971,855,676	976,588,164
Interest expenses	(933,474,479)	(1,171,334,125)
Net interest income before impairment	**38,381,197**	**(194,745,960)**
Loan impairment charge	(153,977,412)	(153,977,412)
Net interest income	**(115,596,215)**	**(348,723,372)**
		-
Fees and comsission income	1,754,605	2,180,869
Net fee and commission income	**1,754,605**	**2,180,869**
		-
Other operating income	**(1,040,863)**	**16,264**
Reclassification to Income from government grant for the year	**2,368,619**	**2,368,619**
Net operating income	**(112,513,854)**	**(344,157,621)**
EXPENSES		
Salaries and other employee benefits	339,132,545	349,285,219
General & administration expenses	96,037,064	98,023,300
Depreciation of property, plant and equipment	27,201,454	27,201,454
Amortisation of intangible assets	13,513,644	13,513,644
Audit fees	339,250	339,250
Total operating expenses	(476,223,957)	(488,362,868)
Profit before tax	(588,737,811)	(832,520,488)
Taxation charge	-	-
Profit for the year after tax	(588,737,811)	(832,520,488)
Other comprehensive income:		-
Transfer of excess depreciation to retained earnings	6,538,617	6,538,617
Total comprehensive income for the year	**(582,199,194)**	**(825,981,871)**
Earnings per share	**(5,887)**	**(8,325)**

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30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions. *A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity') (IAS 24, 9)*

Relationships between parents and subsidiaries. Regardless of whether there have been transactions between a parent and a subsidiary, an entity must disclose the name of its parent and, if different, the ultimate controlling party (IAS 24, par 17).

Management compensation. Disclose key management personnel compensation in total and for each of the following categories (IAs 24, par 17); short-term employee benefits, post-employment benefits, other long-term benefits, Termination benefits, and equity compensation benefits.

DECSI's related party transactions and balances are provided in the tables below:

Related Party Balances and Transactions as of and for the year ended 30 June 2024

Description	Benefit to Board Members	Benefit to Key Management Personnel	Total
Borrowing	-	-	-
Transport Allowance	246,840	246,840	493,680
Short-term EB (Salaries and Others)	2,093,007	2,093,007	4,186,014
Total	**2,339,847**	**2,339,847**	**4,679,694**

31 EVENTS AFTER THE REPORTING PERIOD

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

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