

WASASA MICROFINANCE SHARE COMPANY

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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DEGEFA AND TEWODROS AUDIT
SERVICES PARTNERSHIP
CHARTERED CERTIFIED
ACCOUNTANTS

P.O.Box 8118
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Wasasa Microfinance S.C.
IFRS financial statements
For the period ended 30 June 2022
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Wasasa Microfinance S.C.
IFRS financial statements
For the period ended 30 June 2022
Corporate information

Company registration number
OR/05/071/02/000001861/04

License number
MFI/017/2000

Directors (As of 30 June 2021)

| | | |
|------------------------|--------------------------------------|---------------------------|
| Ato Yeshitila Dibaba | Board of Director (Chair Person) | (Appointed October 2017) |
| Ato Berhanu Debele | Board of Director (Deputy Chairman) | (Appointed October 2017) |
| Ato Tadi Liben | Board of Director (Member) | (Appointed October 2017) |
| Ato Hirphasa Diriba | Board of Director (Member) | (Appointed October 2017) |
| Ato Tesfaye W/Dmichael | Board of Director (Member) | (Appointed October 2017) |
| W/ro Bezawit Bekele | Board of Director (Member) | (Appointed December 2020) |
| Ato Chalchisa Ebisa | Board of Director (Member) | (Appointed December 2021) |

Executive management (As of 30 June 2022)

| | | |
|---------------------|-----------------------------|----------------------------|
| Dr. Amsalu Alemayhu | General Manger | (Appointed September 2000) |
| Ato Yilma Tarkegn | Manger, D/G/M Support | (Appointed January ,2020) |
| Ato Jebesa Dugasa | Manger, D/G/M Operations | (Appointed January ,2020) |
| Ato Mosisa Soboka | Manger. Credit Departement | (Appointed April 2020) |
| W/r Yerom Seyoum | Manager-Finance Departement | (Appointed April 2020) |

Independent auditor
Degefa and Tewodros Audit Service Partnership
P.O Box 8118
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Emial: chalatetwodros@gmail.com
Tel.251-011-4661157
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Ethiopia

Head office Adress
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Tel :+251-1-13384133
Fax No: +251-1-13679024
Alemgena, Ethiopia

Principal Bankers
Commercial Bank of Ethiopia
National Bank of Ethiopia
Development Bank of Ethiopia
Oromia international Bank
Oromia cooperative Bank
Awash International Bank



Wasasa Microfinance S.C.
IFRS financial statements
For the period ended 30 June 2022
Report of the directors

The directors submit their report and the financial statements for the period ended 30 June 2022, to the stakeholder of Wasasa Microfinance Share Company. This report discloses the financial performance and state of affairs of Wasasa Microfinance Share company.

Incorporation and address

Wasasa was incorporated in the year 2000 and got a business license from the National Bank of Ethiopia as per the proclamation No. 40/1996 issued for licensing and supervision of the business of Microfinance institutions. This proclamation was later replaced by proclamation No. 626/2009.

Wasasa's Head office is located in Sebeta Hawas Woreda, Alemgena , Finfine- Zuria Liyu-Zone, while it has regional and branch offices in Ormoia National Regional state.

Principal activities

To attain the mission of Wasasa, which is providing sustainable financial services to the active poor to employ capital for poverty alleviation; the following principal activities are given priorities: granting credit in cash or in kind to farmers, women, youth and associations or cooperatives that are engaged in small and microenterprise activities, savings and deposits service to borrower customers and the large public, counseling services to clients, and micro insurance.

Results

Wasasa's results for the year ended 30 June 2021 are set out on page 4. The profit for the year has been transferred to retained earnings. The summarized results are presented below.

| | 30-Jun-22 | 30-Jun-21 |
|--|------------------|------------------|
| | Birr | Birr |
| Net interest income | 116,104,142 | 89,881,800 |
| Profit / (loss) before tax | 12,067,669 | 28,689,702 |
| Tax (charge) / credit | - | - |
| Profit / (loss) for the year | 12,067,669 | 28,689,702 |
| Other comprehensive profit / (loss) net of taxes | - | - |
| Total comprehensive profit / (loss) for the year | 12,067,669 | 28,689,702 |

Directors

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



Wasasa Microfinance S.C.
IFRS financial statements
For the period ended 30 June 2022
Statement of directors' responsibilities

The National Bank of Ethiopia, as per Business Proclamation No. 626/2009, direct Microfinance institutions to prepare their financial statements following the acceptable accounting standards. As Per the Proclamation No 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) direct Wasasa Microfinance Share Company to prepare financial statements in accordance with international Financial reporting standards (IFRS).

The Management is responsible for the preparation and fair presentation of these financial statements in conformity with international accounting standard (IFRS) issued by International accounting Board(IASB) and generally accepted rule and regulation in Ethiopia in the manner required by the Commercial Code of Ethiopia of 2013 E.C, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Microfinance is required to keep such records as are necessary to:

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

The Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, Microfinance Business Proclamation, Commercial code of 2013 E.C and the relevant Directives issued by the National Bank of Ethiopia.

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

Nothing has come to the attention of the Management to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of :


Ato Yeshitila Dibaba
Board Chairperson
Date:


Dr. Amasalu Alemayhu
General Manager
Date: 5/12/2022



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Partnership

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Addis Ababa Ethiopia

Partners

Degefa Lemessa, B.A, FCCA & Tewodros Hailu, M.A, FCCA

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WASASA MICROFIANCE SHARE COMPANY

QUALIFIED OPINION

- We have audited the accompanying financial statements of *WASASA MICROFIANCE SHARE COMPANY* which comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income and statement of cash flows for the year then ended statement of shareholders' equity and summary of significant accounting policies and other explanatory information.

BASIS FOR QUALIFIED OPINION

In accordance with IAS 19 of IFRS long term employees' benefits should be accounted for using an actuarial valuation. The company however stated its long-term employees' benefits obligations using simple accrual method which is contrary to the requirements of the standard.

In our opinion, except for the effects of the matter stated in basis for qualified opinion above the financial statements give a true and fair view of the financial position of *WASASA MICROFIANCE SHARE COMPANY* as at 30 June 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as issued by IASB.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International



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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 thereon; we do not provide a separate opinion on these matters. We have determined that there is no key audit matter to be communicated in our report.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements 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 for accounting unless management either intends to liquidate the company or to close operations, or has no realistic alternative but to do so.

Auditors Responsibility for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or



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

Degefa and Tewodros Audit Services
Partnership,
Chartered Certified Accountants



R.



Addis Ababa
November 29, 2022



Wasasa Microfinance S.C.
Statement of profit or loss and other comprehensive income
For the period ended 30 June 2022

| | Notes | 30 June 2022 Birr | 30 June 2021 Birr |
|--|-------|----------------------|----------------------|
| Interest income | 5 | 178,502,177 | 138,485,357 |
| Interest expense | 6 | (62,398,035) | (48,603,558) |
| Net interest income | | 116,104,142 | 89,881,800 |
| Fee and commission income | 7 | 27,260,713 | 21,366,692 |
| Fee and commission expense | 7 | - | - |
| Net fees and commission income | | 27,260,713 | 21,366,692 |
| Other operating income | 8 | 6,639,379 | 8,052,357 |
| Gain on fair value changes of investment property | 8 | - | 1,333,660 |
| Total operating income | | 150,004,233 | 120,634,509 |
| Loan impairment charge | 9 | (26,473,434) | (379,979) |
| Impairment losses on other assets | | | |
| Net operating income | | 123,530,799 | 120,254,530 |
| Personnel expenses | 10 | (85,706,685) | (67,739,344) |
| Other operating expenses | 11 | (18,606,234) | (19,258,543) |
| Amortisation of intangible assets | | (1,053,660) | (1,053,660) |
| Amortisation of Asset use right | | (1,331,375) | (763,617) |
| Loss on disposal of fixed asset | | (30,321) | (37,461) |
| Depreciation and impairment of property, plant and equipment | | (4,734,855) | (2,712,202) |
| Profit before tax | | 12,067,669 | 28,689,702 |
| Income tax expense | | - | - |
| Profit after tax | | 12,067,669 | 28,689,702 |
| Other comprehensive income (OCI) net on income tax | | | |
| <i>Items that will not be subsequently reclassified into profit or loss:</i> | | | |
| Remeasurement gain/(loss) | | - | - |
| Deferred tax (liability)/asset on remeasurement gain or loss | | - | - |
| Total comprehensive income for the period | | 12,067,669 | 28,689,702 |

The notes on pages 8 to 44 are an integral part of these financial statements.



Wasasa Microfinance S.C.
Statement of financial position
As at 30 June 2022

| | Notes | 30 June 2022 Birr | 30 June 2021 Birr |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Cash and balances with banks | 12 | 302,895,715 | 88,990,407 |
| Loans and receivables | 13 | 1,048,217,120 | 782,237,097 |
| Non Current Asset Held for sale | 19 | 289,882 | - |
| Investments measured at fair value through Other Comprehensive Income(FVTOCI) | 14 | 1,816,347 | 1,303,856 |
| Investment Property | 15 | 60,440,199 | 56,068,479 |
| Other assets | 16 | 21,773,972 | 20,584,228 |
| Right use of Asset | 17 | 1,755,350 | 1,833,969 |
| Intangible assets | 18 | 6,436,833 | 11,926,719 |
| Property, plant and equipment | 19 | 62,127,187 | 38,530,043 |
| | | 1,505,752,603 | 1,001,474,796 |
| LIABILITIES | | | |
| Deposits from customers | 20 | 413,697,611 | 374,986,299 |
| Other liabilities | 21 | 18,243,327 | 13,375,612 |
| Commercial loan | 22 | 751,163,339 | 323,459,270 |
| Lease obligation | 22 | 4,472,635 | 4,658,850 |
| Other long term liability | 22 | 4,700,000 | 4,700,000 |
| Employee benefit (Severance) | 23 | 20,715,900 | 18,223,114 |
| Total liabilities | | 1,212,992,813 | 739,403,146 |
| EQUITY | | | |
| Paid-up capital | 24 | 10,000,000 | 10,000,000 |
| Donated equity | 24 | 56,448,615 | 43,585,415 |
| Retained earnings | 25 | 192,493,723 | 180,426,055 |
| Legal reserve | 26 | 5,000,000 | 5,000,000 |
| Revaluation surplus | 27 | 28,817,451 | 23,060,180 |
| Total equity | | 292,759,791 | 262,071,650 |
| Total equity and liabilities | | 1,505,752,603 | 1,001,474,796 |

The notes on pages 8 to 44 are an integral part of these financial statements.

The financial statements on pages 4 to 7 were approved and authorized by the board of directors and were signed on its behalf by:

Ato Yeshitila Dibaba
Ato Yeshitila Dibaba
Board Chairperson

Date:

Dr. Amasalu Alemayhu
Dr. Amasalu Alemayhu
General Manager

Date: 5/12/2022



Wasasa Microfinance S.C.
Statement of changes in equity
For the period ended 30 June 2022

| Notes | Paid up capital & donated equity | Retained earnings | Revaluation Surplus | Legal reserve | Total |
|---|----------------------------------|-------------------|---------------------|---------------|-------------|
| | Birr | Birr' | Birr | Birr | Birr |
| As at 1 July 2020 | 47,461,914 | 156,236,352 | 23,060,180 | 3,500,000 | 230,258,446 |
| Profit for the period | | 28,689,702 | - | | 28,689,702 |
| Transfer from retained earning | 3,000,000 | (3,000,000) | | | |
| Donated equity addition | 3,123,501 | | | | 3,123,501 |
| Transfer to legal reserve | | (1,500,000) | | 1,500,000 | |
| Total comprehensive income for the period | 6,123,501 | 24,189,702 | - | 1,500,000 | 31,813,203 |
| As at 30 June 2021 | 53,585,415 | 180,426,054 | 23,060,180 | 5,000,000 | 262,071,650 |
| As at 1 July 2021 | 53,585,415 | 180,426,054 | 23,060,180 | 5,000,000 | 262,071,650 |
| Profit for the period | | 12,067,669 | | | 12,067,669 |
| Revaluation surplus | | | 5,757,271 | | 5,757,271 |
| Donated equity addition | 12,863,200 | | | | 12,863,200 |
| Transfer to legal reserve | | | | | |
| Total comprehensive income for the period | 12,863,200 | 12,067,669 | 5,757,271 | - | 30,688,140 |
| As at 30 June 2022 | 66,448,615 | 192,493,723 | 28,817,451 | 5,000,000 | 292,759,790 |

The notes on pages 8 to 44 are an integral part of these financial statements.



Wasasa Microfinance S.C.
Statement of cash flows
For the period ended 30 June 2022

| | Notes | 30 June 2022 Birr | 30 June 2021 Birr |
|---|-------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 28 | (203,124,400) | 4,512,645 |
| Withholding tax paid | | | |
| Income tax paid | | | |
| Net cash (outflow)/inflow from operating activities | | (203,124,400) | 4,512,645 |
| Cash flows from investing activities | | | |
| Purchase of investment property | 15 | (4,371,721) | (6,821,000) |
| Purchase of Equity Investments(Share) | 14 | (512,492) | (234,856) |
| Purchase of intangible assets | 18 | (1,951,925) | (6,388,150) |
| Proceeds from disposal of fixed assets | | - | - |
| Purchase of property, plant and equipment | 19 | (16,515,213) | (4,386,950) |
| Net cash (outflow)/inflow from investing activities | | (23,351,350) | (17,830,956) |
| Cash flows from financing activities | | | |
| Donated equity received | 24 | 12,863,200 | 3,123,501 |
| Commercial Loan | 22 | 427,704,069 | - |
| Lease obligation | 22 | (186,215) | - |
| Net cash (outflow)/inflow from financing activities | | 440,381,054 | 3,123,501 |
| Net increase/(decrease) in cash and cash equivalents | | 213,905,307 | (10,194,810) |
| Cash and cash equivalents at the beginning of the year | 12 | 88,990,407 | 99,185,217 |
| Cash and cash equivalents at the end of the year | 12 | 302,895,715 | 88,990,407 |

The notes on pages 8 to 44 are an integral part of these financial statements.



Wasasa Microfinance S.C.
Notes to the financial statement
For the period ended 30 June 20

1 General information

Wasasa Microfinance was established in the year 2000 G.C as a "Share Company" under the Commercial Code of Ethiopia and licensed by the National Bank of Ethiopia as a "Microfinance Institution" under Proclamation No. 626/2009, issued for licensing and supervision of micro-finance institutions. Wasasa's registration office is at :

Wasasa Microfinance
S.C
Fax No. 0113679024
Email:wasasamf@ethion
et.et
P O Box 1192
Alemgena, Ethiopia

The objective of Wasasa is to provide diverse range of financial and non-financial service , including Savings, Credit, micro insurance and advisory services to all citizens that do not have access to such services from the mainstream banking in rural and urban area. Wasasa has inclusive business model initiative for women entrepreneurs that may not have collateral in order to expand economic opportunities while creating value for Ethiopia's businesses, and society in general.

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.2 Basis of preparation

The financial statements for the period ended 30 June 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept and faire value. All values are rounded to the nearest one birr, except when otherwise indicated. The financial statements are presented in rounded to the nearest Ethiopian one Birr (Birr' 1).

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 Wasasa'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 Wasasa'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 Note 8.



2.2.1 Going concern

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

2.2.2 New standards and amendments to existing standards

Wasasa has consistently applied the accounting policies to all periods presented in these financial statements. The below are amendments to standards that are effective for annual periods beginning after 1 July 2021, and have not been applied in preparing these financial statements.

| Standard | Description | Effective date | Impact |
|---|--|--|--|
| IAS 1 – Presentation of Financial Statements | IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. | The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted. | Wasasa has opted not to adopt early. No significant impact is expected. |
| IAS 16, Property plant and equipment | IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. | Wasasa opted to adopt the amendments when due. But no significant change is expected. |
| IAS 37, Provision, contingent liabilities and contingent assets | IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). | Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. | Wasasa opted to apply the amendments when due. |
| IAS 41 Agriculture | IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. | The standard is not relevant for Wasasa's reporting purpose. |
| IFRS 3, Business combination | IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair value at the acquisition date. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. | The standard is not relevant for Wasasa's reporting purpose as of now. The amendments shall be considered when Wasasa gets involved in a transaction that involve business combination |



| | | | |
|---|--|---|--|
| IFRS 9 Financial Instruments | The final version of IFRS 9 "Financial Instruments" issued in July 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. | Wasasa shall apply the amendments when due. The amendments are expected to have an impact on the Wasasa's financial statements. |
| Annual Improvements to IFRS Standards 2018–2020 | <p>IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.</p> <p>IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.</p> <p>IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.</p> | The improvements are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. | Wasasa Microfinance shall apply the improvements when due. The improvements are not expected to have a significant impact on Wasasa Microfinance's financial statements. |
| Definition of Accounting Estimates (Amendments to IAS 8) | The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. | Effective for annual reporting periods beginning on or after 1 January 2023. | Wasasa Microfinance shall apply the amendment when due. The amendments are not expected to have an impact on Wasasa Microfinance's financial statements. |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. | Effective for annual reporting periods beginning on or after 1 January 2023. | Wasasa Microfinance shall apply the amendment when due. The amendments are expected to have an impact on Wasasa Microfinance's financial statements. |



2.3 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

2.4 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Wasasa MFI and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Wasasa earns income from interest on loans given for large group rural and urban, Energy, Value chain, Individual and others. Other incomes includes income from dividend received from investment in share and interest earned from bank deposit.

2.4.1 Interest and similar income and expense

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

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

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

2.4.2 Fees and commission

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

When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period. Other fees and commission expenses relates mainly to transaction and service fees are expensed as the services are received.

2.4.3 Dividend income

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

2.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. IFRS 9 set out requirement for recognition, measuring of financial instrument such as financial asset and liability and other contract to buy or sell non financial asset. Wasasa MFI initially recognize loan and advance, Customer deposit and debit on the date on which they are originated.



2.5.1 Financial assets

Initial recognition and measurement

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

Subsequent measurement

Wasasa has applied IFRS 9 and classify its financial asset in the following measurement category:

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

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

Fair value through Other compressive income (FVTOCI): Wasasa measure its financial asset with FVTOCI when the asset is held with the objective of both collecting cash flow and selling financial asset

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

Business model Assessment

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

Financial assets at amortized costs

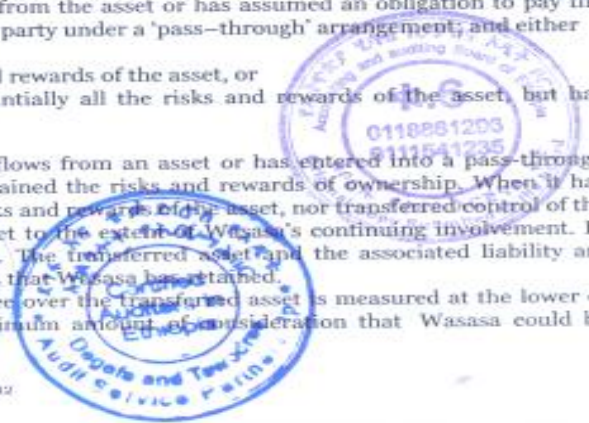
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired, or
- Wasasa has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) Wasasa has transferred substantially all the risks and rewards of the asset, or
 - (b) Wasasa has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Wasasa has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Wasasa continues to recognize the transferred asset to the extent of Wasasa's continuing involvement. In that case, Wasasa also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Wasasa has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Wasasa could be required to repay.



Impairment of financial assets

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

Impairment of Financial assets carried at amortized cost

At each reporting date Wasasa shall assess whether there is objective evidence that the financial asset are impaired for financial asset measured at amortized cost. Wasasa shall recognize loss allowance for the following financial asset carried at amortized cost such as loan to customer and no impairment loss recognized on equity instrument.

Measurement of ECL:

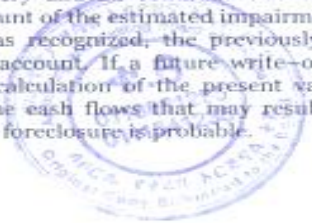
ECL is a probability-weighted estimate of credit losses. It shall be measured as follows:
stage 1 – Performing assets: Loss allowance is recognized in the amount of 12-month expected credit loss;
Stage 2 – Financial assets with significantly increased credit risk: Loss allowance is recognized in the amount of lifetime expected credit loss, and
Stage 3 – Credit-impaired financial assets: Loss allowance is recognized in the amount of lifetime expected credit loss and interest revenue is recognized based on amortized cost.

Wasasa measure its impairment of financial asset based of expected credit loss (ECL) model as follows:

1. Financial asset that are neither past due nor impaired(stage -1): Wasasa shall consider 0 to 30 days past due accounts as performing asset and interest revenue is considered on gross carrying amount.
2. Financial asset that are past due but not impaired(stage 2):Loss allowance is recognized in the amount of lifetime expected credit loss, and when the credit risk of the certain financial assets significantly increased and the resulting credit quality is not low risk. Hence at this stage, in addition to assessed future potential risks that significantly increase impairment Wasasa shall also consider 31 to 90 days past due loans as stage 2 and as this stage interest revenue be recognized on the gross carrying amount
3. Impaired loan(stage 3) : A financial asset shall be considered as credit impaired when one or more events that determine on future cash flow of the financial asset existed and wasasa considered >90 days past due loan as impaired loan and interest revenue is considered on net outstanding amount . The following are evidenced that a financial asset is impaired
 1. Breach of contract such as a default or past due event
 2. The restructuring of a loan by Wasasa on terms that Wasasa would not consider otherwise
 3. It is becoming probable that the borrower will enter bankruptcy
 4. Displacement of clients due to natural and human effects

For financial assets carried at amortized cost (such as loans and receivables), Wasasa assesses collectively whether objective evidence of impairment exists for financial assets that are not individually significant, or collectively for financial assets that are not individually significant. If Wasasa determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to Wasasa. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'loan recovery income'. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.



For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of Wasasa's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics.

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

Collateral valuation

Wasasa seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as House, Movable Property, Vehicle, Group guarantees and 10-15% of Mandatory Saving for loan disbursement. The fair value of collateral is generally assessed, at a minimum, at inception and based on Wasasa reporting schedule. Assets collateral pledged to loans are registered by respective city administrative municipality.

Collateral recovery

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

2.5.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. Wasasa's financial liabilities include customer's deposit, Borrowings and other short term and long term liabilities. Wasasa classify its financial liability as Amortized cost or FVTP.

Subsequent measurement

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

Financial liabilities at amortized cost

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

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



Derecognition of financial liabilities

Financial liabilities are derecognized when the contractual rights to receive the cash flows from these liabilities have ceased to exist or the liability have been transferred and substantially all the risks and rewards of ownership of the liabilities are also transferred. Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.5.3 Off setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where Wasasa has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Wasasa or the counterparty.

2.6 Cash and cash equivalents

Cash and cash equivalent comprises cash on hand and on demand deposit with short term highly liquid financial asset with its original maturity of three month or less from the date of acquisition that are subject to insignificant risk of change in value and are used by the entity in the management of its short term obligation. cash and cash equivalent comprises cash at bank, petty cash and revolving cash. Cash and cash at bank are carried at nominal value, which corresponds to their fair value. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and cash at bank.

2.7 Property, plant and Equipment

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

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

- If the carrying amount (CA) increases: treats as other comprehensive income under the heading "Revaluation surplus".
- If the Carrying amount decreases: treat through Profit or Loss for the year the amount in excess of previously recognized revaluation surplus.

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

| Asset category | Years | Residual values |
|----------------|-------|-----------------|
| Buildings | 50 | 1% of cost |
| furniture | 10 | 1% of cost |
| Equipment | 5_15 | 1% of cost |
| Motor vehicles | 10_20 | 1% of cost |

Wasasa commences depreciation when the asset is available for use and continue until the asset is derecognized, and the asset residual value or useful life is reviewed at the end of reporting period and also reviewed impairment when ever events or changes in circumstances indicate the carrying amount may have significant change.

Construction-in-progress is not depreciated as these assets are not yet available for use. They are disclosed when reclassified during the year.

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



2.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance and controlled by the entity and is expected to prove a future economic benefit for Wasasa. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Wasasa can be measured intangible asset at cost less accumulated amortization using a straight-line method and shall be recognized in profit and loss. Subsequent expenditures on software shall be capitalized only when it increases the future economic benefits of the asset. All other repair and maintenance costs are recognized in profit and loss during the financial period. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life.

| Description | Years | Residual value |
|-------------|-------|----------------|
| Software | 10 | Nil |

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

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

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

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

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

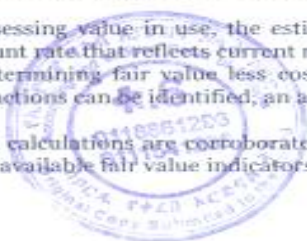
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.10 Impairment of non-financial assets

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

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.



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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, Wasasa estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.11 Other assets

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

(a) Prepayment

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

(b) Other receivables

Other receivables: refers to money due from third parties both within the institution and outside the institution are and recognized upon the occurrence of event or transaction as they arise and cancelled when payment is received. Wasasa's other receivables includes advance to staff (for travel, work, purchase, staff advance which is settled with one year and other.

2.12 Fair value measurement

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

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

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

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

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

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

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

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

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

2.13 Employee benefits

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



(a) **Short term employee benefit**

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

(b) **Post employment**

Defined contribution plan

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

Defined benefit plan

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

(c) **Termination benefits**

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

(d) **Bonus plans**

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

2.14 Provisions

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

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

Legal obligation is an obligation that could be contractual, arise due to legislation, and a result from other operating of law. A constructive obligation is an obligation that results from an entity's action. Wasasa should disclose provisions, contingent liabilities and contingent assets in the notes to enable users to understand their nature, timing and amount and the entity's hold that will be settled within 12 months after the reporting period.

2.15 Leases

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

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

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



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

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

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

- _ An increase in non-current assets as obligations to make future payments under leases previously classified as an operating lease were recognized on the balance sheet, along with the corresponding asset: right-of-use asset.
- _ Expenditure on operation has decreased and finance cost have increased, as operating lease costs have been replaced by depreciation and interest expense on lease liabilities.

The adoption of IFRS 16 requires Wasasa to make a number of assumptions, estimations and judgments that includes:

- _ lease liabilities were determined based on the value of the remaining lease payments, discounted by an appropriate incremental borrowing rate.
- _ term of each arrangement was based on the original lease term.
- _ The discount rate used to determine lease liabilities was Wasasa's incremental borrowing rate. It was calculated based on observable inputs.

At the commencement date, Wasasa recognized:

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

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

After the commencement date, Wasasa measures:

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

Wasasa as a lessor

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



2.16 Investment property

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

De-recognition of investment property

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

2.17 Inventory

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

3 Significant accounting judgements, estimates and assumptions

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

Other disclosures relating to Wasasa's exposure to risks and uncertainties includes:

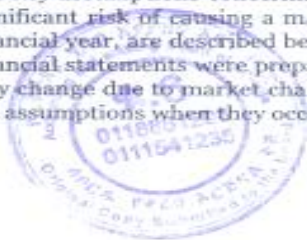
- Capital management Note 4.6
- Financial risk management and policies Note 4.1
- Sensitivity analyses disclosures Note 4.5.2

3.1 Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Wasasa based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of Wasasa. Such changes are reflected in the assumptions when they occur.



3.2 Impairment losses on loans and advances

Wasasa reviews its loan portfolios for impairment on an on-going basis. Wasasa first assesses whether objective evidence of impairment exists collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience. The detailed methodologies, areas of estimation and judgement applied in the calculation of Wasasa impairment charge on financial assets are set out in the Financial risk management section.

Revaluation of property, plant and equipment

Wasasa measure its property plant and equipment initially at cost and subsequently at revaluation model. The valuation have been conducted by an in house valuator and external who have attended practical valuation training organized by Addis Ababa University and have long service year experience with the company. The valuator have the ability and experience to accomplish the valuation assignment in compliance with International Valuation Standard(IVS). The goal in selecting valuation approaches and methods for an asset is to find the most appropriate method under the particular circumstances. The selection should consider term and purpose of the valuation, strength and weakness of possible valuation approach, appropriateness of each method in view of the nature of the asset and the availability of reliable information.

Depending on the nature of the valuation approach the valuator prefer the cost approach of valuation, replacement/reproduction cost method, could be considered. The cost approach is used to estimate the value of property based on the current cost of the asset minus physical deterioration and all other form of obsolescence (functional and economic) of the asset are considered. After such adjustments the asset can be referred as depreciated replacement cost (DRC).

The valuator carried out physical inspection and verification of all none current assets in accordance with IVS and is supported with document. Professional judgment is complimented at the required asset with full inquiry, computation and analysis to ensure that the valuation is properly supported. With thorough discussion among evaluators, the new replacement cost is reduced by the impact of deterioration and obsolescence attributed to the property at the valuation date. In determining depreciable replacement cost (DRC), the gross replacement cost new, condition factors (Salvage value, effective age and remaining live) were computed.

Deterioration of the asset was determined by physical observation of similar assets that was experienced to compare with new asset and the valuator could see for elements of wear and tear of the asset, discussed on issues observed, enquire for maintenance history, discuss technical issues with knowledgeable personnel and determine age of the asset (total useful live, effective age and remaining live).

Further in setting a cost of the item, preform invoices were identified from primary dealer, current purchasing costs were considered from internal document, local administrative offices were requested for price formally and technical personnel knowledge was solicited. Finally, depreciated replacement cost/ fair value is determined after deducting deprecation from the total costs arrived.



Impairment of non-financial assets

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

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

(i) External information

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

(ii) Internal information

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



4 Financial risk management

4.1 Introduction

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

4.1.1 Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of Wasasa's risk management framework. The Board has established the Loan Review and Risk sub-Committee, which are responsible for developing and monitoring Wasasa's risk management policies.

Wasasa's risk management policies are established to identify and analyze the risks faced by Wasasa , to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the regulation, market conditions, products and services offered. Wasasa , through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

Wasasa's Board of Directors is responsible for monitoring compliance with Wasasa's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by Wasasa . Wasasa's Board of Directors is assisted in these functions by the Risk and Compliance unit. The Risk and Compliance Unit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk sub Committee.

4.1.2 Risk measurement and reporting systems

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

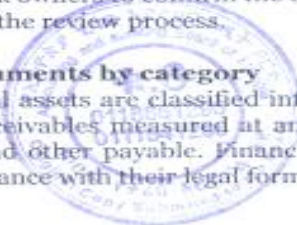
Monitoring and controlling risks is primarily performed based on limits established by Wasasa. These limits reflect the business strategy and market environment of Wasasa as well as the level of risk that Wasasa is willing to accept, with additional emphasis on selected regions. In addition, Wasasa's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

4.1.3 Risk mitigation

Risk controls and mitigates, identified and approved for Wasasa, are documented for existing and new processes and systems. The adequacy of these mitigation is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently audited as part of the review process.

4.2 Financial instruments by category

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



Wasasa classification of its financial assets is summarized in the table below:

| | Notes | FVTPL Birr | FVOCI Birr | Amortized cost Birr | Total Birr |
|-------------------------------|-------|---------------|------------------|------------------------|----------------------|
| 30 June 2022 | | | | | |
| Cash and balances with | 12 | - | - | 302,895,715 | 302,895,715 |
| Loans and receivables | 13 | - | - | 1,048,217,120 | 1,048,217,120 |
| Equity investment (Sh) | 14 | - | 1,816,347 | - | 1,816,347 |
| Other assets | 16 | - | - | 20,506,603 | 20,506,603 |
| Total financial assets | | - | 1,816,347 | 1,371,619,437 | 1,373,435,785 |

| | Notes | FVTPL Birr | FVOCI Birr | Amortized cost Birr | Total Birr |
|-------------------------------|-------|---------------|------------------|------------------------|--------------------|
| 30 June 2021 | | | | | |
| Cash and balances with | 12 | - | - | 88,990,407 | 88,990,407 |
| Loans and receivables | 13 | - | - | 782,237,097 | 782,237,097 |
| Equity investment (Sh) | 21 | - | 1,303,856 | - | 1,303,856 |
| Other assets | 16 | - | - | 19,695,864 | 19,695,864 |
| Total financial assets | | - | 1,303,856 | 890,923,368 | 892,227,224 |

4-3 Credit risk

Credit risk is the probability that a counterparty of Wasasa will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. Wasasa is exposed to credit risk mainly for loan and advance provided to customers and it is the major risk of the organization.

Credit risk is managed through periodic analysis of the ability of borrower to determine the capacity to meet its principal and interest and it is also mitigated by obtaining collateral. Wasasa structured the level of credit risk by placing risk accepted in relation to one borrower or a group of borrowers and terms of the financial instrument.

The National Bank of Ethiopia issued directive NO.MFI/28/2016 to set a credit limit that the total loans extended to any single borrower and a group borrower on the basis of group grantee shall not exceed 1% and 4% of the capital of microfinance respectively.

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

4-3.1 Management of credit risk

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

In the estimation of credit risk, Wasasa Microfinance considered the following parameters:

(a) Probability of Default

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

(b) Loss Given Default (LGD)

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

(c) Exposure at Default

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



4.3.2 Impairment assessment –

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

1. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Wasasa
2. A financial instrument that the credit risk significantly increased transferred to stage 2 but not deemed to credit impaired
3. A financial instrument is credit-impaired moved to 'Stage 3'.

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

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

| Stage | day past due |
|---------|--------------|
| stage 1 | 0-30 |
| Stage 2 | 31-90 |
| Satge 3 | 90+ |

(a) Individual assessment

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

(b) Collective assessment

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

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



4-3-3 Credit related commitments risks

Since Wasasa could not issue any promissory document to third party don't have any credit related commitments risk

4-3-4 Maximum exposure to credit risk

(a) Types of credit exposure

Wasasa's maximum exposure to credit risk at 30 June 2022

| | 30 June 2022 Birr | 30 June 2021 Birr |
|-------------------------------|----------------------|----------------------|
| Cash and balances with banks | 302,895,715 | 88,990,407 |
| Loans and receivables | 1,048,217,120 | 782,237,097 |
| Equity investment (| 1,816,347 | 1,303,856 |
| Other assets | 20,506,603 | 19,695,864 |
| Total maximum exposure | 1,373,435,785 | 892,227,223 |

(b) Collateral Value of the loans

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

| | 30 June 2022 Birr | 30 June 2021 Birr |
|---|----------------------|----------------------|
| Individual loan collateralized value | 2,005,122,943 | 887,205,411 |
| Mandatory saving (group loan covered 15% of the loan) | 92,144,949 | 94,771,648 |
| Total Collateral | 2,097,267,892 | 981,977,059 |

Collateral amount of Asset by product

| | | |
|---|----------------------|--------------------|
| Individual loan | 1,235,154,403 | 529,482,439 |
| WEDP loan | 434,075,279 | 226,363,972 |
| Staff loan = | 66,455,000 | 41,859,000 |
| SME loan | 97,000,000 | 33,800,000 |
| Restructured loan | 116,952,000 | 55,700,000 |
| Abdi loan | 38,676,678 | - |
| Gudina loan | 16,809,583 | - |
| Total collateral Value for individual loan | 2,005,122,943 | 887,205,411 |
| Group loan collateral | 92,144,949 | 94,771,648 |
| Total collateral Value | 2,097,267,892 | 981,977,059 |

Wasasa holds collateral against loan and receivable to customer in the form of residential and commercial house, Salary and cash



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

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

| | 30 June 2022 | 30 June 2021 |
|--------------|----------------------|--------------------|
| | Birr | Birr |
| Large group | 446,670,281 | 382,327,298 |
| RSF loan | 120,461,393 | 116,709,611 |
| Value chain | 2,873,361 | 1,417,320 |
| Agriculture | 61,980,311 | 29,357,985 |
| Energy | 1,751,506 | 3,118,453 |
| Staff Loan | 30,746,397 | 24,188,180 |
| Individual | 420,178,134 | 236,662,932 |
| Other | 1,777,201 | 3,073,702 |
| Abdi loan | 2,833,888 | - |
| Total | 1,089,272,472 | 796,855,482 |

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

| | 30 June 2022 | 30 June 2021 |
|-------------------------------|----------------------|--------------------|
| | Birr | Birr |
| Performing | 956,797,794 | 745,360,614 |
| Substandard (91-180 past due) | 48,119,098 | 8,531,737 |
| Doubtful(181-360 Past due) | 38,750,376 | 7,051,469 |
| Loss(More than 360 past due) | 16,799,947 | 8,360,165 |
| Interest receivable | 28,805,257 | 27,551,497 |
| | 1,089,272,472 | 796,855,482 |
| Less impairment | (41,055,352.39) | (14,618,386) |
| | 1,048,217,120 | 782,237,096 |

The above table represents a credit risk exposure of Wasasa as at the reporting dates without taking in to account any collateral held or other credit enhancements attached. The exposures are based on net carrying amounts as reported in the statement of financial position. Management is confident in its ability to continue to control and effectively manage the credit risk exposure in Wasasa's loan and advances portfolio.

4.3.5 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 has variance with the expected credit loss 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 companies would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

However, Micro-finance institutions would be required to comply with the following:

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. Hence, the below shows cumulative differences between two approaches described above.

| | 30 June 2022 | 30 June 2021 |
|--|--------------------|------------------|
| | Birr | Birr |
| Total impairment based on IFRS | 41,055,352 | 14,618,386 |
| Total impairment based on NBE Directives | 48,204,910 | 14,018,834 |
| Difference in provisions | (7,149,558) | = 599,552 |

4-3-6 Credit quality analysis

(a) Credit quality of loans and receivables

| | Neither past due nor impaired Stage -1 Birr | Past due but not impaired Stage-2 Birr | Individually impaired stage-3 Birr | Total Birr |
|----------------------------|--|---|---------------------------------------|----------------------|
| 30 June 2022 | | | | |
| Large group | 441,193,875 | 697,113 | 4,779,294 | 446,670,281 |
| RSF loan | 116,502,690 | 1,492,063 | 2,466,640 | 120,461,393 |
| Value chain | 2,855,664 | - | 17,697 | 2,873,361 |
| Energy | 1,693,108 | 3,136 | 55,262 | 1,751,506 |
| Agricultural loan | 61,843,363 | 55,348 | 81,600 | 61,980,311 |
| Staff Loan | 30,746,397 | - | - | 30,746,397 |
| Individual | 373,843,426 | 37,497,087 | 8,837,622 | 420,178,134 |
| Other(WDEP Syco) | 1,684,869 | - | 92,331 | 1,777,201 |
| Abdi Loan group | 2,833,888 | - | - | 2,833,888 |
| Gross | 1,033,197,280 | 39,744,747 | 16,330,446 | 1,089,272,472 |
| Less: Impairment allowance | (31,365,455) | (2,247,660) | (7,492,824) | (41,105,939) |
| Net | 1,001,831,825 | 37,497,087 | 8,837,622 | 1,048,166,533 |

(b) Allowance for impairment

| | 30 June 2022 Birr | 30 June 2021 Birr |
|--------------------------------|----------------------|----------------------|
| Collective impairment | (41,055,352) | (14,618,385) |
| Total allowance for impairment | (41,055,352) | (14,618,385) |

| | Neither past due nor impaired Stage -1 Birr | Past due but not impaired Stage-2 Birr | Individually impaired stage-3 Birr | Total Birr |
|---------------------|--|---|---------------------------------------|--------------------|
| 30 June 2021 | | | | |
| Large group | 381,857,423 | 259,425 | 210,451 | 382,327,298 |
| RSF loan | 116,457,904 | 55,045 | 196,662 | 116,709,611 |
| Value chain | 1,413,865 | - | 3,454 | 1,417,320 |
| Energy | 3,116,594 | - | 1,859 | 3,118,453 |
| Agricultural loan | 29,326,504 | 6,479 | 25,002 | 29,357,985 |
| Staff Loan | 24,160,232 | - | 27,948 | 24,188,180 |
| Individual | 223,469,363 | 5,223,793 | 7,961,339 | 236,654,495 |
| Other(WDEP Syco) | 3,053,587 | 4,827 | 23,724 | 3,082,139 |
| Gross | 782,855,473 | 5,549,569 | 8,450,440 | 796,855,482 |
| Less: Impairment | (13,831,456) | (325,776) | (461,153) | (14,618,385) |
| Net | 769,024,017 | 5,223,793 | 7,989,287 | 782,237,097 |



4.3.7 Credit concentration

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

| | Public Enterprise Birr | Cooperative Birr | Private Birr |
|-----------------------|---------------------------|---------------------|----------------------|
| 30 June 2022 | | | |
| Cash and balances | 65,578,942 | - | 237,316,773 |
| Loans and | - | - | 1,048,217,120 |
| Other assets | - | - | 20,506,603 |
| | 65,578,942 | - | 1,306,040,495 |
| 30 June 2021 | | | |
| Cash and balances | 58,947,092 | - | 30,043,315 |
| Loans and receivables | - | - | 782,237,097 |
| Other assets | - | - | 19,695,864 |
| | 58,947,092 | - | 831,976,276 |

4.3.8 Nature of security in respect of loans and receivables

| | Secured against Fixed asset and salary | Group Cash guarantees | Equitable Mortgage | Shares | Others |
|---------------------|--|--------------------------|-----------------------|----------|----------|
| | Birr | Birr | Birr | Birr | Birr |
| 30 June 2022 | | | | | |
| Large group | - | 69,401,955 | - | - | - |
| RSF loan | - | 10,287,935 | - | - | - |
| Value chain | - | 573,615 | - | - | - |
| Agri loan | - | 11,043,778 | - | - | - |
| Energy | - | 323,867 | - | - | - |
| Abdi loan | - | 513,800 | - | - | - |
| Staff Loan | 66,455,000 | - | - | - | - |
| Individual | 1,938,667,943 | - | - | - | - |
| Total | 2,005,122,943 | 92,144,949 | - | - | - |
| 30 June 2021 | | | | | |
| Large group | - | 70,733,715 | - | - | - |
| RSF loan | - | 18,839,160 | - | - | - |
| Value chain | - | 273,671 | - | - | - |
| Energy | - | 4,225,560 | - | - | - |
| Staff Loan | - | 699,542 | - | - | - |
| Individual | 41,859,000 | - | - | - | - |
| Other | 845,346,411 | - | - | - | - |
| Total | 887,205,411 | 94,771,038 | - | - | - |



4.3.9 Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and Wasasa generally requests that borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in Wasasa.

Wasasa may take collateral in the form of House, Vehicle, Cash and group guarantees. In addition Wasasa focus on creditworthiness, it aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. For individual loan that Wasasa provide for its customer, the collateral amount is much higher than the loan provided.

For impaired loans, Wasasa obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement. The valuation technique adopted for properties is in line with Wasasa's valuation manual and the revalued amount is similar to fair values of properties with similar size and

4.4 Liquidity risk

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

Liquidity risk management is solely determined by Asset and Liability Committee, which bears the overall responsibility for liquidity risk. The main objective of Wasasa liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

4.4.1 Management of liquidity risk

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

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

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

4.4.3 Maturity analysis of financial liabilities

The table below analyses Wasasa's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

| 30 June 2022 | 0 - 30 days Birr | 31 - 90 days Birr | 91 - 180 days Birr | 181 - 365 days Birr | Over 1 year Birr |
|------------------------------------|---------------------|----------------------|-----------------------|------------------------|---------------------|
| Deposits from customers | 404,013,701 | | 9,683,910 | | |
| Commercial Borrowing | 82,673,147 | 65,694,920 | 89,819,309 | | 512,975,963 |
| Severance pay | | | | | |
| Other liabilities | 18,243,327 | | | | |
| Total financial liabilities | 504,930,175 | 65,694,920 | 99,503,219 | | 512,975,963 |



| 30 June 2021 | 0 - 30 days Birr | 31 - 90 days Birr | 91 - 180 days Birr | 181 - 365 days Birr | Over 1 year Birr |
|------------------------------------|---------------------|----------------------|-----------------------|------------------------|---------------------|
| Deposits from customers | 353,736,907 | | 21,249,392 | | |
| Commercial Borrowing | 64,869,156 | | 57,751,969 | | 200,826,638 |
| Severance pay | | | | | |
| Other liabilities | 13,375,612 | | | | |
| Total financial liabilities | 431,981,675 | - | 79,001,362 | - | 200,826,638 |

4-5 Market risk

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

4-5-1 Management of market risk

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

4-5-2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk. When it is observed from the trend interest rate on deposit and loan is not frequently changed, the Management of Wasasa considered the interest rate risk is minimal.

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

| 30 June 2022 | Fixed Birr | Floating Birr | Non-interest bearing Birr | Total Birr |
|------------------------------|-----------------------|--------------------------|--|-----------------------|
| Assets | | | | |
| Cash and balances with banks | | 219,396,100 | 83,499,614 | 302,895,715 |
| Loans and receivables | | 1,048,217,120 | - | 1,048,217,120 |
| Total | - | 1,267,613,220 | 83,499,614 | 1,351,112,834 |
| Liabilities | | | | |
| Deposits from customers | | 413,697,611 | - | 413,697,611 |
| Other liabilities | | | - | - |
| Borrowing | | 751,163,339 | - | 751,163,339 |
| Total | - | 1,164,860,950 | - | 1,164,860,950 |
| 30 June 2021 | Fixed Birr | Floating Birr | Non-interest bearing Birr | Total Birr |
| Assets | | | | |
| Cash and balances with banks | | 10,891,807 | 78,017,942 | 88,909,750 |
| Loans and receivables | | 782,237,697 | - | 782,237,697 |
| Total | - | 793,128,904 | 78,017,942 | 871,146,847 |
| Liabilities | | | | |
| Deposits from customers | | 374,986,299 | - | 374,986,299 |
| Other liabilities | | | - | - |
| Borrowing | | 323,459,270 | - | 323,459,270 |
| Total | - | 698,445,570 | - | 698,445,570 |



4.6 Capital management

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

4.6.1 Capital adequacy

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

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

| | 30 June 2022 Birr | 30 June 2021 Birr |
|---|----------------------|----------------------|
| Capital | | |
| Capital contribution | 10,000,000 | 10,000,000 |
| Donated capital | 56,448,615 | 43,585,415 |
| Retained earnings | 192,493,723 | 180,426,055 |
| Legal reserve | 5,000,000 | 5,000,000 |
| | <u>263,942,338</u> | <u>239,011,470</u> |
| Risk weighted assets | | |
| Risk weighted balance for on-balance sheet 20 | 60,579,143 | 17,798,081 |
| Credit equivalents for on balance sheet ite 100 | 1,202,856,891 | 912,484,389 |
| | <u>1,263,436,034</u> | <u>930,282,470</u> |
| Risk-weighted Capital Adequacy Ratio (CAR) | 21% | 26% |
| Minimum required | 12% | 12% |
| Excess | 9% | 14% |

4.7 Fair value of financial assets and liabilities

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

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

4.7.1 Valuation models

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

| | Carrying amount Birr | Fair value Birr |
|------------------------------|-------------------------|----------------------|
| 30 June 2022 | | |
| Financial assets | | |
| Cash and balances with banks | 302,895,715 | 302,895,715 |
| Loans and receivables | 1,048,217,120 | 1,048,217,120 |
| Other asset | 152,533,542 | 152,533,542 |
| Total | 1,503,646,376 | 1,503,646,376 |
| Financial liabilities | | |
| Deposits from customers | 413,697,611 | 413,697,611 |
| Borrowings | 751,163,339 | 751,163,339 |
| Other liabilities | 43,431,862 | 43,431,862 |
| Total | 1,208,292,813 | 1,208,292,813 |
| 30 June 2021 | | |
| Financial assets | | |
| Cash and balances with banks | 88,990,407 | 88,990,407 |
| Loans and receivables | 782,237,097 | 782,237,097 |
| Other asset | 128,943,436 | 128,943,436 |
| Total | 1,000,170,940 | 1,000,170,940 |
| Financial liabilities | | |
| Deposits from customers | 374,986,299 | 374,986,299 |
| Borrowings | 323,459,270 | 323,459,270 |
| Other liabilities | 36,257,576 | 36,257,576 |
| Total | 734,703,146 | 734,703,146 |

4.7.3 Valuation techniques using significant unobservable inputs - Level 3

Wasasa has equity investment in shares which is subsequently measured at fair value through other comprehensive income.

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

The table below sets out the information on the sensitivity of carrying amounts to the methods, assumptions and estimates used in calculating impairment losses on loans and advances for customers as at 30 June 2021 and 30 June 2022 that have a significant risk of causing a material adjustment to the carrying amounts of these assets within the next financial year, including the reasons for the sensitivity.

| Types of financial instruments | Significant Fair values | Ranges of input observable input | Fair value (Probability weighted average) | measurement to unobservable inputs |
|---------------------------------|-------------------------|----------------------------------|---|---|
| Loans and advances to customers | | | | |
| 30 June 2021 | 782,237,097 | Probability of | 4.00% | Significant increases in any of these inputs would result in lower fair values and vice versa |
| 30 June 2022 | 1,048,217,120 | Probability of | 8.53% | |
| 30 June 2021 | 782,237,097 | Loss given default | | |
| 30 June 2022 | 1,048,217,120 | | | |



| | 30 June 2022 Birr | 30 June 2021 Birr' |
|---|-----------------------|-----------------------|
| 5 Interest income | | |
| Interest on on Large group | 81,019,762 | 71,562,947 |
| Interest on RSF loan | 24,637,144 | 20,237,754 |
| Interest on Value chain | 406,434 | 437,139 |
| Interest on Energy | 627,315 | 399,705 |
| Interest on Staff Loan | 4,412,437 | 2,503,635 |
| Interest on Others(Agri and Ilfat loan | 7,369,063 | 4,078,481 |
| Interest on Individual | 57,778,820 | 37,589,412 |
| Abdi loan group | 86,533.00 | - |
| Interest Income on bank Deposits | 2,164,668 | 1,676,284 |
| | 178,502,177 | 138,485,357 |
| | | |
| | 30 June 2022 Birr' | 30 June 2021 Birr' |
| 6 Interest expense | | |
| Interest on customer savings | 24,569,165 | 21,772,304 |
| Interest on Commercial borrowing | 37,828,870 | 26,831,253 |
| | 62,398,035 | 48,603,556 |
| | | |
| | 30 June 2022 Birr' | 30 June 2021 Birr' |
| 7 Net fees and commission income | | |
| Fee and commission income | | |
| Loan Processing fees and Charges | 27,090,308 | 21,282,567 |
| Pass book fees | 170,405 | 84,125 |
| | 27,260,713 | 21,366,692 |
| Fee and commission expense | - | - |
| Net fees and commission income | 27,260,713 | 21,366,692 |
| | | |
| | 30 June 2022 Birr' | 30 June 2021 Birr' |
| 8 Other income | | |
| Insurance Income | 4,219,884 | 4,669,248 |
| Penalty Charges | 1,107,528 | 2,120,754 |
| Dividend Income | 11,800 | 234,856 |
| Additional Interest | 22,664 | 51,315 |
| Other operating Income | 409,317 | 597,007 |
| Other non-operating Income | 868,186 | 361,269 |
| Foreign Currency gain | - | 17,908 |
| | 6,639,379 | 8,052,357 |
| | | |
| | 30 June 2022 Birr' | 30 June 2021 Birr' |
| 9 Loan impairment charge | | |
| Loan loss Impairment Expense | 26,529,393 | 518,023 |
| Impairment recovery | (55,959) | (138,043) |
| | 26,473,434 | 379,979 |



| | 30 June 2022 Birr' | 30 June 2021 Birr' |
|--|-----------------------|-----------------------|
| 10 Personnel expenses | | |
| Short term employee benefits : | | |
| Salary and wage Expense | 63,118,245 | 48,076,421 |
| Allowance | 1,441,795 | 1,349,430 |
| Pension fund expense | 6,902,249 | 5,288,501 |
| Severance Expense | 2,887,871 | 6,648,778 |
| Annual leave | 5,535,227 | 659,141 |
| Other employee benefit | - | 555,014 |
| Bonus | 5,821,298 | 5,162,060 |
| | 85,706,685 | 67,739,344 |
| Long term employee benefits : | | |
| Pension costs - Defined benefit plans | - | - |
| | 85,706,685 | 67,739,344 |
| 11 Other operating expenses | | |
| Cash Loss Provision/premium | 250,917 | 35,078 |
| Training | 625,960 | 367,300 |
| Education | 319,327 | 223,408 |
| Uniform and Protection | 665,290 | 631,178 |
| Medical Expense | 161,003 | 20,528 |
| Bank Charges | 138,685 | 130,000 |
| Audit Fee Expense | 580,433 | 1,042,213 |
| Legal Fee Expense | 98,887 | 215,878 |
| Registration Fee Expense | - | - |
| Membership Fee Expense | 623,312 | 666,290 |
| Contribution Fee Expense | 800,000 | 820,000 |
| Board Members Fee Expense | 1,629,182 | 1,660,627 |
| Perdiem Expense | 1,045,550 | 916,210 |
| Transport Expense | 651,342 | 528,394 |
| Fuel and Lubricants Expense | 73,399 | 23,747 |
| Generator and Fuel Expense | 2,716,570 | 2,675,763 |
| Office Rent Expense | 836,528 | 892,149 |
| Insurance Expense | 1,640,575 | 1,439,096 |
| Office Supplies Expense | 478,494 | 404,203 |
| Printing and Padding expense | 133,201 | 220,003 |
| Advertisement Expense | 98,461 | 101,449 |
| Cleaning Material Expense | 1,051,227 | 684,086 |
| Entertainment Expense | 1,111,693 | 1,170,922 |
| Cash Indemnity Expense | 144,268 | - |
| Consultancy fee Expense | 515,137 | 706,432 |
| Vehicle Maintenance Expense | 86,864 | 316,972 |
| Office Equipment and Furniture Expense | 80,160 | 472,808 |
| Office Building Expense | 267,796 | 173,013 |
| Utilities Expense | 1,579,190 | 2,630,291 |
| Communication Expenses | 202,784 | 90,507 |
| Miscellaneous Expense | 18,606,234 | 19,258,543 |
| Depreciation Expense | 4,734,855 | 2,712,202 |
| Loss on disposal of fixed Asset | 30,321 | 37,461 |
| Amortization of asset use right | 1,331,375 | 763,617 |
| Amortization Expense Lease | 1,053,660 | 1,053,660 |
| | 7,150,211 | 4,566,941 |



| 12 Cash and balances with banks | 30 June 2022 Birr' | 30 June 2021 Birr' |
|--|----------------------------------|----------------------------------|
| Cash on hand | 24,468 | 80,657 |
| Cash at Bank | 302,871,247 | 88,909,750 |
| | 302,895,715 | 88,990,407 |
| Cash at bank Commercial Bank | 65,578,942 | 58,866,435 |
| Cash at bank Pravite Bank | 237,316,773 | 29,041,505 |
| Cash at Bank in Foreign currency (Birr) | - | 1,001,811 |
| | 302,895,715 | 88,909,750 |
| Maturity analysis | 30 June 2022 Birr'000 | 30 June 2021 Birr'000 |
| Current | 302,895,715 | 88,990,407 |
| Non-Current | - | - |
| | 302,895,715 | 88,990,407 |

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

| 13 Loans and receivables | 30 June 2022 Birr' | 30 June 2021 Birr' |
|---|-----------------------|-----------------------|
| Large group | 446,670,281 | 382,327,298 |
| RSF loan | 120,461,393 | 116,709,611 |
| Value chain | 2,873,361 | 1,417,320 |
| Agriculture and Iffat loan | 61,980,310.61 | 29,357,985 |
| Energy | 1,751,506 | 3,118,453 |
| Staff Loan | 30,746,397 | 24,188,180 |
| Individual/ Ind Urban,WDEP, SME, Abdi loan, Restructured) | 420,178,134.42 | 236,662,932 |
| Other WDEP PSYCH | 1,777,201 | 3,073,702 |
| Abdi loan | 2,833,888 | - |
| Gross amount | 1,089,272,472 | 796,855,482 |
| Less: Impairment allowance (note 13a) | (41,055,352) | (14,618,385) |
| | 1,048,217,120 | 782,237,097 |

13a Impairment allowance on loans and receivables

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

| Collective allowance for impairment | As at 30 June 2022 Birr' | Movement for the year Birr' | As at 30 June 2021 Birr' |
|-------------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Impairment Loss opening Balance | (14,618,386) | - | (17,803,809) |
| Loan write off during the year | - | - | 3,703,446 |
| | (14,618,386) | - | (14,100,363) |
| Written-off | 92,427 | - | - |
| Loan loss Provison | (26,529,393) | 26,529,393 | (518,023) |
| | (41,055,352) | 26,529,393 | (14,618,386) |

Expected credit loss as of June 30, 2022

| | Stage 1 | Stage2 | Stage 3 | Total |
|------------------|-------------------|------------------|------------------|-------------------|
| Large group | 23,597,503 | 697,113 | 4,779,294 | 29,073,909 |
| RSF loan | 3,812,677 | 1,492,063 | 2,466,640 | 7,771,381 |
| Value chain | 163,125 | - | 17,697 | 180,822 |
| Energy | 57,744 | 3,136 | 55,262 | 116,142 |
| Agri loan | 3,658,602 | 55,348 | 81,600 | 3,795,549 |
| Other WDEP-PSYCH | 25,218 | - | 92,331 | 117,550 |
| Total | 31,214,869 | 2,247,660 | 7,492,824 | 41,055,352 |



14 Investment at fair value through other comprehensive income

| As at 30 June 2022 Birr' | Additions during the year Birr' | As at 30 June 2021 Birr' |
|-----------------------------|------------------------------------|-----------------------------|
| 1,816,347 | 512,492 | 1,303,856 |
| 1,816,347 | 512,492 | 1,303,856 |

Investment in share

Wasasa has an investment in share which is measured at fair value through other comprehensive income. It comprises investment in shares that are purchased from Oromia International Bank, Oromia Cooperative bank, and Goh Betoeh Bank .The management assessed value of these shares and determined that there are no changes in value of these investments for the year ended 30 June 2022.

| | As at 30 June 2022 Birr' | Additions/ faire value during the year Birr' | Transfer to PPE Birr' | As at 30 June 2021 Birr' |
|---|-----------------------------|---|--------------------------|-----------------------------|
| 15 Investment Property: | | | | |
| Building for rental/ Condominium House | 2,806,970 | - | - | 2,806,970 |
| Building under construction-for rental purp | 51,018,230 | 4,371,721 | - | 46,646,509 |
| Lease | 6,615,000 | - | - | 6,615,000 |
| | 60,440,199 | 4,371,721 | - | 56,068,479 |

Investment property of Wasasa comprises building held for rental purpose to earn rental income and building under construction in progress at Dukem that will be used in the future for rental purpose. Lease hold land with the size of 1260m2 and a total value of birr 6.615 million for lease period of 70 years is also included under investment property. Wasasa have three condominium shop that have been using for rental purpose and one shop for office purpose.

15a Fair value measurement of the Wasasa's Investment properties

The Wasasa's investment property is measured at Fair Value. These properties include those held for rental purposes and those under construction for future rental purposes as stated above. That is, these properties are held to earn rentals and for capital appreciation. There are currently no restrictions on the realisability of these properties.

Details of Wasasa's Investment properties and information about the fair value hierarchy are as follows:

| | Carrying amount Birr' | Level 1 Birr' | Level 2 Birr' | Level 3 Birr' |
|-----------------------|--------------------------|------------------|------------------|------------------|
| 30 June 2022 | | | | |
| Investment properties | 60,440,199 | 60,440,199 | - | - |
| 30 June 2021 | | | | |
| Investment properties | 56,068,479 | 56,068,479 | - | - |



| | 30 June 2022 Birr' | 30 June 2021 Birr' |
|---|-----------------------|-----------------------|
| 16 Other assets | | |
| Financial assets | | |
| Staff advance | 6,368,214 | 5,174,576 |
| Prepaid staff loan: Below market rate | 7,852,877 | 7,852,877 |
| | 14,221,092 | 13,027,453 |
| Other Non-financial assets | | |
| Prepayments | 6,059,439 | 6,408,002 |
| Inventory | 1,267,369 | 888,364 |
| Other current asset | 226,073 | 260,408 |
| | 7,552,880 | 7,556,775 |
| Less : | | |
| Impairment allowance on other assets | - | - |
| Gross amount | 21,773,972 | 20,584,228 |
| Maturity analysis | | |
| | 30 June 2022 Birr' | 30 June 2021 Birr' |
| Current | 21,773,972 | 20,584,228 |
| Non-Current | - | - |
| | 21,773,972 | 20,584,228 |
| 16a Inventory | | |
| A breakdown of the items included within inventory is as follows: | | |
| | 30 June 2022 Birr' | 30 June 2021 Birr' |
| Office Supply | 274,622 | 95,112 |
| Pads and Printing | 750,698 | 375,399 |
| Spar parts | 75,013 | 92,773 |
| Uniform and protection | 157,536 | 204,490 |
| Building material | 9,500 | 120,566 |
| Total | 1,267,369 | 888,339 |
| 17 Right of Use Assets | | |
| Right use of Asset-Rent for more than 1 years | 3,974,044 | 2,716,044 |
| Accumultaed Amortization_rent | 2,218,693.84 | (882,075) |
| Net | 1,755,350 | 1,833,969 |



18 Intangible Assets

| | Purchased software Birr' |
|---|-----------------------------|
| Cost: | |
| As at 30 June 2020 | 11,803,830 |
| Acquisitions(MIS software on progress) | 6,388,150 |
| Reclassifications | - |
| As at 30 June 2021 | 18,191,980 |
| Acquisitions(MIS software on progress) | 1,951,925 |
| Reclassifications | (6,388,150) |
| As at 30 June 2022 | 13,755,754 |
| Accumulated amortisation and impairment losses | |
| As at 30 June 2020 | 5,211,601 |
| Amortisation for the year | 1,053,660 |
| As at 30 June 2021 | 6,265,261 |
| Amortisation for the year | 1,053,660 |
| As at 30 June 2022 | 7,318,921 |
| Net book value | |
| As at 30 June 2021 | 11,926,719 |
| As at 30 June 2022 | 6,436,833 |

19 Property, plant and equipment

| | Building Birr | Computer and Equipment Birr | Furniture and fittings Birr | Motor vehicles Birr | Total Birr |
|---|-------------------|-----------------------------------|-----------------------------------|------------------------|-------------------|
| Cost: | | | | | |
| As at 1 July 2020 | 17,362,485 | 12,017,328 | 4,207,553 | 14,435,583 | 48,022,948 |
| Additions | 476,334 | 348,728 | 2,722,628 | 62,756 | 3,610,445 |
| Reclassifications | 927,811 | - | - | - | 927,811 |
| Disposals | - | (44,250) | (80,758) | - | (125,008) |
| As at 30 June 2021 | 18,766,629 | 12,321,806 | 6,849,422 | 14,498,339 | 52,436,196 |
| Additions | - | 8,555,146 | - | 7,449,863 | 16,005,009 |
| Reclassifications | 3,508,317 | 6,388,150 | - | - | 9,896,468 |
| Revaluation adjustment | - | (3,911,457) | 834,265 | - | (3,077,192) |
| Adjustment staff account | - | (8,430) | - | - | (8,430) |
| Disposals | - | (52,560) | (25,875) | - | (78,435) |
| Transfer to Non current asset held for sale | - | (479,936) | - | - | (479,936) |
| As at June 30 2022 | 22,274,947 | 22,812,718 | 7,657,813 | 21,948,202 | 74,693,679 |
| Accumulated depreciation: | | | | | |
| As at 1 July 2020 | 2,109,674 | 5,408,744 | 2,280,117 | 4,883,636 | 14,682,171 |
| Charge for the year | 371,579 | 957,945 | 453,298 | 929,379 | 2,712,202 |
| Disposals | - | (25,263) | (62,283) | - | (87,546) |
| As at 30 June 2021 | 2,481,253 | 6,341,426 | 2,671,133 | 5,813,016 | 17,306,827 |
| Charge for the year | 462,322 | 1,982,808 | 1,347,700 | 942,026 | 4,734,856 |
| Acc.Dep Reversal | - | (6,185,001) | (2,649,462) | - | (8,834,462) |
| Acc. Depreciation reversal | - | (1,779) | - | - | (1,779) |
| Transfer to Non current asset held for sale | - | (190,055) | - | - | (190,055) |
| Disposals | - | (24,664) | (21,671) | - | (46,335) |
| As at 30 June 2022 | 2,943,574 | 1,922,736 | 1,347,700 | 6,755,042 | 12,969,052 |
| Net book value | | | | | |
| As at 30 June 2021 | 16,285,376 | 5,980,380 | 4,178,290 | 8,685,323 | 35,129,369 |
| As at 30 June 2022 | 19,331,372 | 20,889,982 | 6,310,113 | 15,193,160 | 61,724,627 |

Building under progress

| | |
|--|-------------------|
| As at 1 July 2020 | 2,624,169 |
| Additions | 776,505 |
| Reclassifications | - |
| As at 30 June 2021 | 3,400,674 |
| Additions | 510,204 |
| Reclassifications | (3,508,317) |
| As at 30 June 2022 | 402,560 |
| Total Net PPE and building under construction | 62,127,187 |



| | 30 June 2022 Birr | 30 June 2021 Birr |
|-----------------------------------|----------------------|----------------------|
| 20 Deposits from customers | | |
| Mandatory Savings | 203,083,079 | 192,296,889 |
| Voluntary/Demand Savings | 200,930,622 | 161,440,018 |
| Time Deposit | 9,683,910 | 21,249,392 |
| | 413,697,611 | 374,986,299 |
| | | |
| | 30 June 2022 Birr | 30 June 2021 Birr |
| 21 Liabilities | | |
| Other liabilities | | |
| Insurance Payable | 576,438 | 1,367,803 |
| Accrued Payable | 5,188,259 | 4,882,410 |
| Audit fee | 130,500 | 130,500 |
| Other current Liabilities | 6,222,444 | 6,994,899 |
| Annual leave payable | 6,125,686 | - |
| | 18,243,327 | 13,375,612 |

Annual leave is a short term employe benefit. Wasasa shall be governed by the Labour Proclamation No 1156/2019, accordingly, annual leave postponement shall not be allowed beyond two years and it is also prohibited to pay the annual leave in cash.

| | 30 June 2022 Birr | 30 June 2021 Birr |
|------------------------------------|----------------------|----------------------|
| 22 Financial liabilities | | |
| Commercial Loan : Current | 272,452,999 | 104,002,228 |
| Commercial Loan :None current | 478,710,340 | 219,457,042 |
| Total | 751,163,339 | 323,459,270 |
| | | |
| Commercial Loan | 751,163,339 | 323,459,270 |
| Lease obligation | 4,472,635 | 4,658,850 |
| Other Long term Liabilities | 4,700,000 | 4,700,000 |
| | 760,335,974 | 332,818,120 |
| Gross amount of liabilities | 1,192,276,912 | 721,180,032 |
| | | |
| Maturity analysis | | |
| | 30 June 2022 Birr | 30 June 2021 Birr |
| Current | 704,393,937 | 492,364,140 |
| Non-Current | 487,882,975 | 228,815,892 |
| | 1,192,276,912 | 721,180,032 |

| | 30 June 2022 Birr | 30 June 2021 Birr |
|--|----------------------|----------------------|
| 23 Defined benefit liability | | |
| Defined benefits liabilities: | | |
| Severance pay | 20,715,900 | 18,223,120 |
| Liability in the statement of financial position | 20,715,900 | 18,223,120 |
| Income statement charge included in personnel expenses: | | |
| Severance costs | 20,715,900 | 18,223,120 |
| | 20,715,900 | 18,223,120 |

Total defined benefit expenses (Severance)

Remeasurements for:

Remeasurement of severance under IFRS

Deferred tax (liability)/asset on remeasurement gain or loss

Severance cost charged in the income statement is recognized under personnel expenses based on service

year and current salary of the employee.



Maturity analysis

| | 30 June 2022 Birr | 30 June 2021 Birr |
|-------------|----------------------|----------------------|
| Non-Current | 20,715,900 | 18,223,120 |
| | <u>20,715,900</u> | <u>18,223,120</u> |

Severance pay

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

Below are the details of movements and amounts recognised in the financial statements:

| | 30 June 2022 Birr | 30 June 2021 Birr |
|---|-----------------------|-----------------------|
| A Liability recognised in the financial position | <u>20,715,900</u> | <u>18,223,120</u> |
| B Amount recognised in the profit or loss | | |
| At the beginning of the year | 18,223,120 | 11,928,647 |
| Current service cost | 2,492,786 | 6,294,473 |
| | <u>20,715,906</u> | <u>18,223,120</u> |
| | 30 June 2022 Birr | 30 June 2021 Birr |
| 24 Equity | | |
| Paid Up Capital | 10,000,000 | 10,000,000 |
| Transferred from Retained earnings | - | 3,000,000 |
| Opening paid up capital | 10,000,000 | 7,000,000 |
| Donated Equity | 56,448,615 | 43,585,415 |
| Total | <u>66,448,615</u> | <u>53,585,415</u> |
| | 30 June 2022 Birr | 30 June 2021 Birr' |
| 25 Retained earnings | | |
| At the beginning of the year | 180,426,054 | 156,236,352 |
| Transfer to Paid up capital | - | (3,000,000) |
| Profit/ (Loss) for the year | 12,067,669 | 28,689,702 |
| Transfer to legal reserve | - | (1,500,000) |
| At the end of the year | <u>192,493,723</u> | <u>180,426,054</u> |
| | 30 June 2022 Birr' | 30 June 2021 Birr |
| 26 Legal reserve | | |
| At the beginning of the year | 5,000,000 | 3,500,000 |
| Transfer from profit or loss | - | 1,500,000 |
| At the end of the year | <u>5,000,000</u> | <u>5,000,000</u> |



As per Memorandum of association of Wasasa, 25% of net profit shall be transferred to legal reserve fund until the balance reaches 50% of its capital.

| | 30 June 2022 Birr | 30 June 2021 Birr |
|-------------------------------|----------------------|----------------------|
| 27 Revaluation surplus | | |
| At the beginning of the year | 23,060,180 | 23,060,180 |
| Addition | 5,757,271 | - |
| At the end of the year | 28,817,451 | 23,060,180 |

Wasasa is selecting revaluation model when first recognizes for its property, plant and equipment, intangible and investment properties. Accordingly while valuing the existing GAAP historical cost to the current revaluation model, variations identified in the process of conversion is accounted to the revaluation surplus account.

| | Notes | 30 June 2022 Birr | 30 June 2021 Birr |
|---|-------|----------------------|----------------------|
| 28 Cash generated from operating activities | | | |
| Profit before tax | | 12,067,669 | 28,689,702 |
| Adjustments for non-cash items: | | | |
| Depreciation of property, plant and equipment | | 4,734,855 | 2,712,202 |
| Right use of asset-Rent | | (1,252,756) | (2,012,844) |
| Severance expense accrual | | 2,492,786 | - |
| Amortisation of use right asset | | 1,331,375 | 763,617 |
| Amortisation of intangible assets | | 1,053,660 | 1,053,660 |
| Increase in fair value of investment property | | - | (1,333,660) |
| Fixed asset adjustment | | 8,430 | - |
| Gain/loss on disposal of plant and property and equipment | | 30,321 | 37,461 |
| Impairment on loans and receivables | | 26,473,434 | 379,979 |
| Loans recovered | | 55,959 | 138,043 |
| Changes in working capital: | | | |
| -Decrease/ (Increase) in loans and advances to customers | | (292,509,416) | (96,099,921) |
| -Decrease/ (Increase) in other assets | | (1,189,744) | (4,985,180) |
| -Increase/ (Decrease) in other liabilities | | 4,867,715 | 5,324,022 |
| -Increase/ (Decrease) in deposits from customers | | 38,711,311 | 69,845,562 |
| | | (203,124,400) | 4,512,643 |



29 Related party transactions

A party to be considered related it should be a person or a close member of that family related to the reporting entity if that person has a control, has a significant influence or the member of key management personnel of the reporting entity. A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

| | 30 June 2022 | 30 June 2021 |
|---|--------------|--------------|
| | Birr | Birr |
| 29a Transactions with related parties-Short term Benefit | | |
| Staff advance disbursed to : General Manager | - | - |
| Outstanding Balance | 118,707 | 237,414 |
| | 118,707 | 237,414 |

29b Key management compensation

Key management has been determined to be the members of the Board of Directors and General Manager of Wasasa. Benefit paid or payable to key management is shown below. There were no sales or purchase of goods and services between Wasasa and key management personnel as at 30 June 2022

| | 30-Jun-22 | 30-Jun-21 |
|--|-----------|-----------|
| | Birr | Birr |
| General Manger Salaries and other short-term employee benefits | 949,656 | 828,192 |
| Post-employment benefits | | |
| Termination benefits | | |
| Sitting allowance (GM/Representation Allowance) | - | 30,000 |
| Board allowance | 800,000 | 820,000 |
| Other expenses (Provident fund contribution) | | |
| | 1,749,656 | 1,678,192 |

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

30 Directors and employees

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

| | 30 June 2022 | 30 June 2021 |
|--|--------------|--------------|
| | Number | Number |
| Professionals and High Level Supervisors | 116 | 115 |
| Semi-professional, Administrative and Clerical | 218 | 232 |
| Technician and Skilled | 221 | 207 |
| | 555 | 554 |



ii) The table below shows the number of employees (excluding directors), who earned over Birr 2,000.00 as emoluments or payment in the year and were within the group stated.

| | 30 June 2022 | 2021 |
|-----------------------|--------------|------------|
| | Birr | Birr |
| 2,000.00 -10,035.00 | 403 | 426 |
| 10,035.00--21,790.00 | 120 | 98 |
| 21,790.00 - 36,453.00 | 26 | 24 |
| Above 36,453.00 | 6 | 6 |
| | 555 | 554 |

31 Events after reporting period

In the opinion of the Management, there were no significant post balance sheet events which could have a material effect on the state of affairs of Wasasa as at 30 June 2022 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

32 Comparative figures

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

