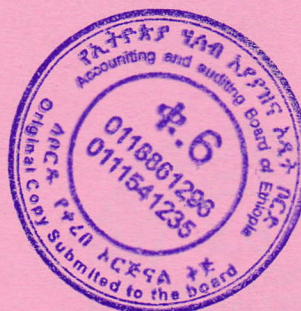


ADEDAY MICRO FINANCE INSTITUTION S.C.

AUDITORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025



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amanuel.bahta@yahoo.com.

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AMA - HAI

CERTIFIED ACCOUNTANTS & AUDITORS

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ADDIS ABABA

ADEDAY MICRO FINANCE INSTITUTION S.C. **FOR THE YEAR ENDED 30 JUNE 2025** **CONTENTS**

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**ADEDAY MICRO FINANCE INSTITUTION S.C.
DIRECTORS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 30 JUNE 2025**

Directors (As of 30 June 2025)

Zenebech Fiseha W/Michael
Fettewerk G/Her Abreha
Roman G/Silasie Meshesha
Kudisan Nega Medhaniye
Atsed G/Aregay Haile
Desta Abreha G/Yessus
Letebrhan Teklu Weldegioris
Abeba H/Silasse Mezgebo

Chairman
Member
Member
Member
Member
Member
Member
Member

Executive Management (As of 30 June 2025)

Kibreab Assayehegn
Haftu G/Gergise
G/Hawerya G/Medhin

Chief Executive Officer
Chief Operation Officer
Chief Information Technology Officer

Independent auditor

AMA-HAI Certified Accountants & Auditors
Meskel Flower Road, Aster Surafel Building 2nd Floor, Room No. 205
Tel- +251-11-6552471/251-11470 0388/96
Fax-251-11-470 0394, Po.Box-13735
Addis Ababa, Ethiopia



ADEDAY MICRO FINANCE INSTITUTION S.C.
REGISTERED OFFICE AND PRINCIPAL BANKERS
FOR THE YEAR ENDED 30 JUNE 2025

Registered office

Adeday Micor Finance Instiution S.C.
Mekelle, Tigray
Ethiopia

Principal bankers

Commercial Bank of Ethiopia
Lion International Bank
Wegagen Bank
Hibret Bank
Awash Bank



ADEDAY MICRO FINANCE INSTITUTION S.C.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 30 JUNE 2025

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

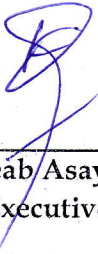
- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) enable the National Bank to determine whether the Company had complied with the provisions of the Companying Business Proclamation and regulations and directives issued for the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

The Company's General Manager accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, Companying Business Proclamation, Commercial code of 2021 and the relevant Directives issued by the National Bank of Ethiopia.

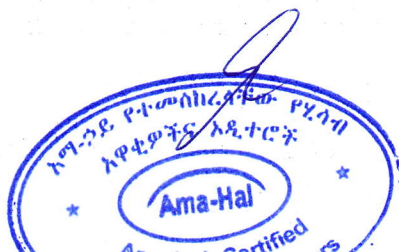
The General Manager is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

The General Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Signed on behalf of the Directors by and on August 30, 2025.


Kibreab Asayehegn
Chief Executive Officer


Zenebech Fiseha
Chairperson, Board of Directors





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Ama-Hai Certified Accountants & Auditors

Partners Ama nuel Bahta, FCCA (U.K.)
Haileselassie G/Kidan, FCCA (U.K.)

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
ADEDAY MICRO FINANCE INSTITUTION SHARE COMPANY**

Qualified Opinion

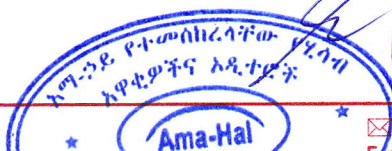
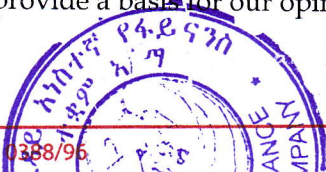
We have audited the accompanying financial statements of Adeday Micro Finance Institution Share Company which comprise the Statement of Financial Position as of 30 June 2025 and the related Statement of Profit & Loss and Other comprehensive income, Statement of Change in equity and Statement of Cash Flow for the year ended 30 June 2025, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Adeday Micro Finance Institution Share Company as of 30 June 2025 and of its financial performances and cash flows for the year ended 30 June 2025 in accordance with International Financial Reporting Standards (IFRSs).

Basis of Qualified Opinion

The Institution has not recognized adequate impairment losses on its loan portfolio in accordance with IFRS 9. The effect of this departure on the financial statements has not been determined. In addition, the Institution has not properly disclosed the aging analysis of loans and advances, as required by IFRS 7, which is necessary for users to understand the credit risk exposure.

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



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

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

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

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

Auditors' Responsibility for the audit of financial Statements

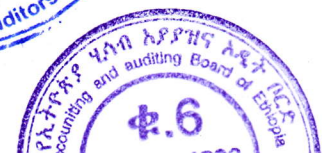
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

Reporting on other legal requirements

As required by the Commercial Code of Ethiopia, based on our audit we report as follows:

- i) Pursuant to Article 349 (1) of the Commercial Code of Ethiopia 2021 and based on our review of the board of directors' report, we have not noted any matter that we may wish to bring to your attention;
- ii) Pursuant to article 349 (2) of the Commercial Code of Ethiopia we recommend the financial statements for approval.

Addis Ababa
October 1, 2025



ADEDAY MICRO FINANCE INSTITUTION S.C.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025
(In Ethiopian Birr)

INCOME	Notes	2025	2024
Interest Income	4	120,146,905	93,324,060
Interest Expense	5	(63,965,447)	(52,689,769)
Net Interest income		56,181,458	42,095,922
Net Fees and commission income	6	(79,909)	5,382
Other operating income	7	19,554,639	7,924,880
Other Comprehensive income	7	-	2,013,914
Total operating income		75,656,188	52,040,098
Loan Impairment charges/ Recovering Income/	7	768,962	-
Impairment loss on other asset		-	-
Net operating income		76,425,150	52,040,098
Total Employee Benefit	9	(54,945,111)	(26,939,167)
Depreciation and Amortization	15/16	(2,738,328)	(2,244,893)
Other operating Expense	10	(33,186,400)	(22,514,344)
Interest waive Expense		(789,323)	(10,424,887)
Total operation Expense		(91,659,162)	(62,123,291)
Loss/Profit for the year		(15,234,013)	(10,083,193)
Tax charge	26	-	-
		<u>(15,234,013)</u>	<u>(10,083,193)</u>

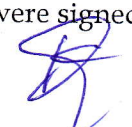


ADEDAY MICRO FINANCE INSTITUTION S.C.
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025
(In Ethiopian Birr)

	Notes	2025	2024
Asset			
Cash and cash equivalent	11	199,633,631	154,336,411
Loan and advances to customer	12	872,103,189	790,256,853
Investment securities	13	2,940,000	981,000
Other Assets	14	27,033,733	42,556,612
Property Plant and Equipment Net	15	84,793,045	60,178,256
Net Lease hold land right to use	16	5,041,221	5,122,235
Investment property	17	15,894,002	16,248,076
Regulatory Deferral		-	8,033,940
Total Asset		1,207,438,821	1,077,713,383
Liabilities			
Deposit from customer	18	786,365,531	726,410,239
Borrowings from Bank	19	147,428,076	117,913,679
Revolving fund obligation	20	2,793,750	2,008,277
Other liabilities	21	131,379,706	74,160,622
Finance Lease Obligation	22	3,161,767	4,162,965
Retirement benefit obligation	23	2,320,694	1,182,510
Total Liabilities		1,073,449,525	925,838,292
Equity			
Share capital	24	138,195,000	53,600,000
Retained Earning	25	(29,632,790)	78,203,742
Revaluation Surplus	27	8,782,451	11,245,308
Regulatory Risk Reserve	28	16,644,635	8,826,041
		133,989,296	151,875,091
Total Equity and Liability		1,207,438,821	1,077,713,383

The notes on pages 6 to 9 are an integral part of these financial statements.

The financial statements on pages 10 to 51 were approved and authorised for issue by the board of directors and were signed on its behalf by:


Kibreab Asayehegn
 Chief Executive Officer


Zenebech Fiseha
 Chairperson, Board of Directors



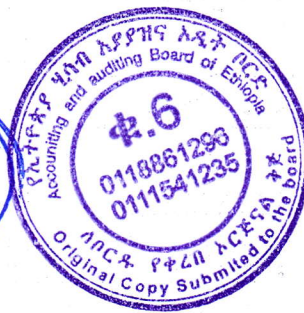
ADEDAY MICRO FINANCE INSTITUTION S.C.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

	Notes	Share Capital	Legal Reserve	Retained Earning	Revaluation Reserve	Regulatory Risk Reserve	Total
Balance as at 1 July 2024		53,600,000	-	78,203,742	11,245,308	8,826,041	151,875,091
Profit/(loss) for the year	25	-	-	(15,234,013)	-	-	(15,234,013)
Depreciation transfer	25	-	-	2,462,857	(2,462,857)	-	-
Transfer to regulatory risk reserve	28	-	-	(16,861,634)	-	7,818,593	(9,043,041)
Increase in Share Capital - Cash	24	6,400,000	-	-	-	-	6,400,000
Transferred to Share Capital	24	78,195,000	-	(78,195,000)	-	-	-
Prior period Adjustment	25	-	-	(8,742)	-	-	(8,742)
Balance as at 30 Jun 2025		138,195,000	-	(29,632,790)	8,782,451	16,644,634	133,989,295



ADEDAY MICRO FINANCE INSTITUTION S.C.
STATEMENT OF CASH FLOW
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

	2025	2024
Activities		
Cash Flow from operating Activities		
Cash flows from operating activities	38,259,851	16,459,314
Net cash (outflow)/inflow from operating activities	38,259,851	16,459,314
Cash flow from Investing Activities		
Acquisition of PPE	(26,918,029)	(7,775,384)
Acquisition of equity investment	(1,959,000)	-
Net Cash inflow (outflow)from Investing Activities	(28,877,029)	(7,775,384)
Cash flow from Financing Activities		
Proceeds (settlement) from borrowings	29,514,398	107,913,679
Proceed from issue of shares	6,400,000	-
Net Cash inflow (outflow)from Financing Activi	35,914,398	107,913,679
Net increase (Decrease) in cash and cash Equivalence	45,297,220	116,597,609
Beginning Cash balance	154,336,411	37,738,802
Ending Cash Balance	199,633,631	154,336,411



ADEDAY MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

1 General Information

Adeday Micro Finance Institution S.C. was established in June, 2014 after registration as micro finance institution by the National Bank of Ethiopia as of June 1997 under certificate No. MFI/033/2014 its head office was in Tigray Regional State Mekelle City and its principal Place of work is throughout Tigray region.

The Main Objectives of the Micro Finance are:-

- A. To enhance the socio-economic empowerment of disadvantages members of the society specially women, through improving their access to saving, loans and technical assistance.
- B. To encourage saving through introducing reliable and effective alternative saving schemes.
- C. To provide financial access to economically active members of the society living in rural and urban to participate in agriculture and small scale trade.

2 Summary of significant accounting policies

2.1. Introduction to summary of significant accounting policies

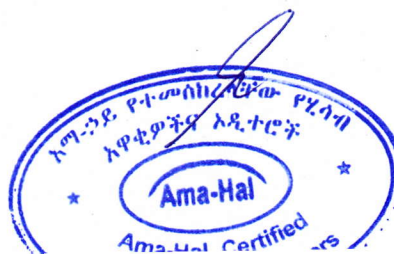
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2. Basis of preparation

The financial statements for the period ended 30 June 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by National regulations is included where appropriate.

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

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept, except for defined benefit pension plans - plant assets measured at fair value.



ADEDAY MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Microfinance's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Adeday'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 below.

2.2.1. Going concern

The financial statements have been prepared on a going concern basis. The management has no doubt that Adeday would remain in existence after 12 months. It implies for declaration of intention to keep running our activities at least for the next year, and the financial statements prepare considering the conceptual framework of the IFRS

2.2.2. Changes in accounting policies and disclosures

Financial Instruments (IFRS 9, IAS 39 and IFRS 7)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit or loss.

The basis of classification depends on the Adeday Micro finance's business model and the contractual cash flow characteristics of financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRS 7 Financial Instruments: Disclosures

As issued at 1 January 2014. Includes IFRSs with an effective date after 1 January 2014 but not the IFRSs they will replace. Adeday micro finance use IFRS 7 was to require providing disclosures in their financial statements that enable users to evaluate:



ADEDAY MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR EDNEED 30 JUNE 2025
(In Ethiopian Birr)

(a) The significance of financial instruments for financial position and performance; and (b) The nature and extent of risks arising from financial instruments to which exposed during the period and at the end of 30 June 2025, and how manages those risks. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the institution is exposed to risk, based on information provided internally to key management personnel. Together, these disclosures provide an overview of the use of financial instruments and the exposures to risks they create.

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

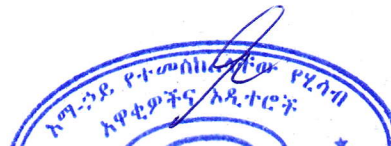
This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

IFRS 16 - Leases

Adeday Micro finance Share Company has interred in to different leasehold land arrangements at different branches to be used for branch office. This standard 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 leases and lessors provide relevant information in a manner that faithfully represents those transactions. The standard introduces a single leases accounting model and requires a leases to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lease is required to recognize 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. It also substantially carries forward the lessor accounting requirements in IAS 17. The term of the lease arrangement is for 70 years use of land where as its settlement is to be completed within 30.

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 fulfillment 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.



ADEDAY MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

Adeday as a leases

Leases that do not transfer to the Bank substantially the entire risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they it is incurred.

Adeday as a lessor

Leases where Adeday 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

IAS 40- Investment Property

In April 2001 the International Accounting Standards Board (IASB) adopted IAS 40 Investment Property, which had originally been issued by the International Accounting Standards Committee (IASC) in April 2000. That Standard had replaced some parts of IAS 25 Accounting for Investments, which had been issued in March 1986 and had not already been replaced by IAS 39

Micro finance determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:

- (a) The configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred, or
- (b) The entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange, and
- (c) The difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

Adeday MFI evaluates under this recognition principle the Building investment property costs at the time June, 30 2020 incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property for the purpose of rental income.



ADEDAY MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

Amendments to IAS 7- Disclosure Initiative

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendment will be effective for annual periods beginning on or after 1 January 2017.

2.3. Foreign currency translation

The IASB amended IAS 21 in December 2005 to require that some types of exchange differences arising from a monetary item should be separately recognized as equity.

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

2.4. Recognition of income and expenses

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

2.4.1. Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available - for-sale interest income or expense is recorded using the contractual rates.

The carrying amount of the financial asset or financial liability is adjusted if Adeday revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original contractual rate 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.



ADEDAY MICRO FINANCE INSTITUTION S.C.
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR EDNED 30 JUNE 2025
(In Ethiopian Birr)

Effective interest rate and amortized cost

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available – for-sale interest income or expense is recorded using the contractual rates. That is the amortized cost of a financial asset or financial liability at each reporting date is the net of the following amounts:

- (a) The amount at which the financial asset or financial liability is measured at initial recognition minus any repayments of the principal;
- (b) Plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount; and
- (c) Minus, in the case of a financial asset, any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

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 effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:

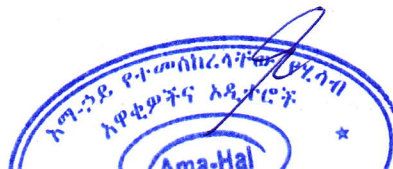
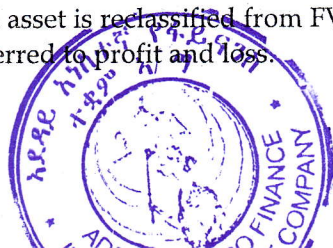
- (a) The amortized cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and
- (b) The interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

The carrying amount of the financial asset or financial liability, that is the Amortised Cost of a financial asset, before adjusting for any Loss Allowance, is adjusted if Adeday revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original contractual rate and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities.

Presentation

The IASB amends IAS 1, Presentation of Financial Statements, to require presentation of the following amounts as separate line items in the statement of profit and loss for the period:

- Revenue calculated using the effective interest method
- Gains and losses arising from de-recognition of financial assets measured at Amortized Cost
- Impairment losses (including reversals)
- If an asset is reclassified from the Amortized Cost category to FVPL, any gain or loss arising there from
- If an asset is reclassified from FVOCI to FVPL, any cumulative gain or loss previously recognized in OCI transferred to profit and loss.



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1.3.2. 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 relate mainly to transaction and service fees are expensed as the services are received.

2.4.2. Dividend income

Is recognized when Adeday's right to receive the payment is established, which is generally, when the shareholders approve and declare the dividend.

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

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 the Micro Finance commits to purchase or sell the asset.

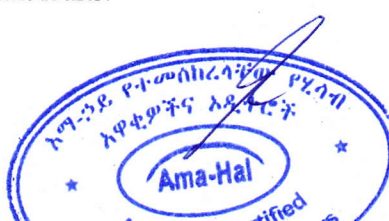
Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into two categories:

2.5.1.1. Loans and receivables

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

Adeday's loans and receivables comprise of Agriculture loans, manufacturing, Trade loan, Service loan, housing loan, construction loan, and civil servant loans.



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2.5.1.2. Available-for-sale (AFS) financial assets

AFS investments include equity and debt securities. Equity investments classified as AFS are those, which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those, which are intended to be held for an indefinite period, and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to income statement in impairment loss on financial investment. Interest earned whilst holding AFS financial investments is reported as interest and similar income using the EIR method. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

The Micro Finance evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Micro finance is unable to trade these financial assets due to inactive markets, the Micro finance may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value-carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Micro finance immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Other operating income'. In cases where fair value is determined using data, which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.



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Reclassification of financial assets

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis. The Micro finance does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortized to income statement over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to income statement.

The Micro finance may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Micro finance has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Micro finance subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

De-recognition 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 the Micro finance's statement of financial position) when:

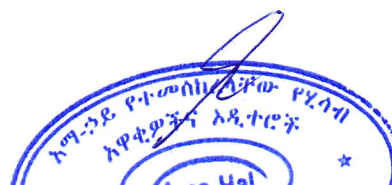
The rights to receive cash flows from the asset have expired, or

The Micro finance 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 the Micro Finance has transferred substantially all the risks and rewards of the asset, or

The Micro finance has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Micro Finance 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, the Micro Finance continues to recognize the transferred asset to the extent of the Micro finance's continuing involvement. In that case, the Micro finance also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Micro Finance 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 the Micro Finance could be required to repay.



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Impairment of financial assets

The Micro Finance 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.

Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as loans and receivables), the Micro Finance first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Micro finance 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 assets'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 the Micro Finance. 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 impairment charge'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.



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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 the Micro Finance'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 similar to those in the Micro Finance.

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 in the Micro finance 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

Available-for-sale (AFS) financial instruments

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.



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Renegotiated loans

Where possible, the Micro Finance seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Collateral valuation

The Micro Finance seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash via cash and property. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Micro Finance's reporting schedule. To the extent possible, the Micro Finance uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models.

Collateral repossessed

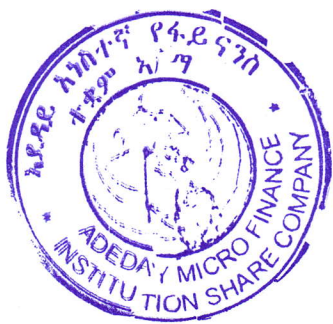
Repossessed collateral represents financial and non-financial assets acquired by the Micro Finance in settlement of overdue loans. The Micro Finance's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be used for internal operations are initially recognized at the lower of their repossessed value or the carrying value of the original secured asset and included in the relevant assets depending on the nature and the Micro Finance's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Micro Finance's policy.

2.5.2. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs. The Micro Finance's financial liabilities include customer deposits and other liabilities. Interest expenditure is recognized in interest and similar expense.



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Subsequent measurement

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

Financial liabilities at amortized cost

Financial instruments issued by the Micro Finance, 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 the Micro finance 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 for a fixed number of own equity shares.

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.

The Micro finance's financial liabilities carried at amortized cost comprise of customer deposits, margin held on letter of credit and long term deposits.

De-recognition of financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

Offsetting financial assets and financial liabilities

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

2.6. Cash and cash equivalent

Cash and cash equivalent comprises balances with less than three month's maturity from the date of acquisition, including cash in hand, deposit held at call with banks and other short term highly liquid investments with original maturity of three month or less.



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2.7. Financial risk management

Introduction

Risk is inherent in Micro Finance's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Micro Finance's continuing profitability and each individual within the Micro Finance is accountable for the risk exposures relating to his or her responsibilities.

The Micro Finance is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Micro Finance's policy is to monitor those business risks through the Micro Finance's strategic planning process.

Risk management structure

Risk management is one component of all core processes of the Micro Finance. In its day-to-day activities the Micro Finance is exposed to various types of risks, the most important of which are credit risk, liquidity risk, interest rate risk and operational risk. The Micro Finance has established a comprehensive risk management system in line with internationally accepted risk management principles and best practices with the necessary adoption to suit its core business activity.

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

The Micro Finance's risk management and control is based on the following key principles

The board of directors approves the risk management policies of the Micro Finance and ensures their implementation.

The management is responsible for implementing the policies in a manner that limits risks associated with each risk exposure.

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

Risk measurement and reporting systems

The Micro Finance'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.

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



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Risk mitigation

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

2.7.1. Credit Risk Management

Credit risk is the probability that a counterparty of the Micro Finance will not meet its obligations in accordance with agreed terms and conditions which may lead to financial loss. The Micro Finance is exposed to credit risk due to activities such as loans and advances, loan commitments arising from lending activities, credit enhancement provided such as financial guarantees and letter of credit. The Micro Finance adopts a conservative approach to credit risk. In measuring credit risk of loans and receivables to various counterparties, the Micro Finance 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. The entity'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, the entity estimates the following parameters:

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.

Loss Given Default

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

Exposure at Default

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

Financial instruments by category

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



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The Micro Finance's classification of its financial assets is summarized 30 June 2025, 1 July 2024, is represented in the table below

<u>30-Jun-25</u>	<u>Notes</u>	<u>Available for sale</u>	<u>Loan and Receivable</u>	<u>Total</u>
Cash and Cash Equivalence	11	-	199,633,631	199,633,631
Loan and advance to custome:	12	-	872,103,189	872,103,189
Investment Securities:				
Available for sale	13	2,940,000	-	2,940,000
Other assets	14	-	27,033,733	27,033,733
Total		2,940,000	1,098,770,553	1,101,710,553

<u>30-Jun-24</u>	<u>Notes</u>	<u>Available for sale</u>	<u>Loan and Receivable</u>	<u>Total</u>
Cash and Cash Equivalence	11	-	154,336,411	154,336,411
Loan and advance to custome:	12	-	790,256,853	790,256,853
Investment Securities:				
Available for sale	13	981,000	-	981,000
Other assets	14	-	42,556,612	42,556,612
Total		981,000	987,149,876	988,130,876

Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms. The firm generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration.

Credit related commitments risks

The Micro Finance holds collateral against loans and receivables to customers in the form of properties. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.



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2.7.2. Maximum exposure to credit risk before collateral held or credit enhancements

Types of credit exposure

The Micro Finance's maximum exposure to credit risk at 30 June 2025, 30 June 2024, is represented by the net carrying amounts in the statement of financial position.

<u>Activities</u>	<u>Notes</u>	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Cash and Cash Equivalence	11	199,633,631	154,336,411
Loan and advance to custom	12	872,103,189	790,256,853
Available for sale	13	2,940,000	981,000
Other assets	14	27,033,733	42,556,612
Credit risk exposures relatir		-	-
Total		<u>1,101,710,553</u>	<u>988,130,876</u>

Loans and receivables at amortized cost

Gross loans and receivables to customers are analyzed at 30 June 2025, 30 June 2024, is represented as follows:

<u>Activities</u>	<u>Notes</u>	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Loan and advance to custom	12	608,817,023	602,666,158
Staff loan	12	6,356,166	3,999,389
Interest receivables	12	266,388,727	216,723,182
		<u>881,561,916</u>	<u>823,388,729</u>

Gross loans and receivables to customers per National Bank of Ethiopia's impairment guidelines are analyzed as follows:

<u>Activities</u>	<u>Notes</u>	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Special mention		600,145,827	594,232,176
Pass		-	-
Substandard		428,262	-
Doubtful		700,352	12,433,371
Loss		13,898,748	-



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The above table represents a worst case scenario of credit risk exposure of the Micro Finance as at the reporting dates without taking account of 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 the Micro Finance's loan and advances portfolio.

2.7.1. Credit quality analysis

Credit quality of loans and advances to customers

Report period	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment allowance	Total	Net Balance
30-Jun-25	615,173,189	-	-	11,350,326	615,173,189	603,822,863
30-Jun-24	606,665,548	-	-	12,433,371.00	606,665,548	594,232,177

Loans and receivables - neither past due nor impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Loans and receivables pass due for less than 90 days are classified in this category.

Loans and receivables - past due but not impaired

Loans and receivables that have been classified as neither past due nor impaired nor past due but not impaired are assessed on a collective basis.

2.7.2. Collateral held and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the firm generally requests that corporate borrowers provide it. Staff loans are secured to the extent of the employee's continued employment in the Micro Finance. The firm may take collateral in the form of a first charge over real estate, liens and guarantees. The firm does not sell or pledge the collateral in the absence of default by the owner of the collateral. For impaired loans, the Micro Finance obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair value of the collaterals is based on the last revaluations carried out by the Micro Finance's in-house engineers. The fair value of collaterals other than properties such as share certificates, cash, NBE bills etc. as disclosed at the carrying amount as management is of the opinion that the cost of the process of establishing the fair value of the collateral exceeds benefits accruable from the exercise.



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2.7.3. Liquidity risk

Liquidity risk is the risk that the firm 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 the firm 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. **The main objective of the Micro Finance's liquidity risk framework is to maintain sufficient liquidity in order to ensure that the firm meets its maturing obligations.**

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. The Micro Finance evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the firm devises strategies to manage its liquidity risk. Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available of meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the firm's reputation.

Market risk

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

Management of market risk

The main objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the risk management department on regularly, to identify any adverse movement in the underlying variables.

Interest rate risk

Interest rate risk is a risk resulting from changes in interest rates. It is the probability that the rising and falling of interest rates will adversely affect the Micro Finance's interest margin or the value of its net worth. The firm often revises its lending rate across segments of the credit portfolio based on the changes in the cost of funds, reserve requirements and the perceived risk in each credit portfolio segment to keep the overall profitability

2.7.4 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 categorized 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.



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Fair value at initial recognition

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price). Adeday MFI necessarily use, depreciated or expensed assets at the prices paid to acquire them. Similarly, transfer liabilities at the prices received to assume them.

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 reflects market data obtained from independent sources; unobservable inputs reflect the Micro Finance's market assumptions. 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: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable date and the unobservable inputs have a significant effect on the asset or liability's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.



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Financial instruments not measured at fair value - Fair value hierarch

The following table summarizes 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 categorized. The amounts are based on the values recognized in the statement of financial position.

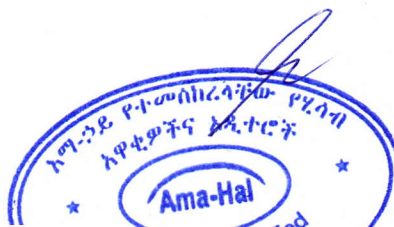
30-Jun-25		Level 3	Total
Financial assets			
Cash and cash equivalent	11	199,633,631	199,633,631
Loans and advance	12	872,103,189	872,103,190
Investment securities	13	2,940,000	2,940,000
Financial liabilities			
Deposits from customers	18	786,365,531	742,365,532
Revolving fund	20	2,793,750	2,793,750
Borrowings From Bank	19	147,428,076	146,643,627
30-Jun-24		Level 3	Total
Financial assets			
Cash and cash equivalent	11	154,336,411	154,336,411
Loans and advance	12	790,256,853	790,256,853
Investment securities	13	981,000	981,000
Financial liabilities			
Deposits from customers	18	726,410,239	726,410,239
Borrowings and revolving fund	20	2,008,278	2,008,278
Borrowings From Bank	19	117,913,679	117,913,679

2.8. Property, Plant and Equipment (IAS-16)

In April 2001 the International Accounting Standards Board (IASB) adopted IAS 16 Property, Plant and Equipment, which had originally been issued by the International Accounting Standards Committee in December 1993. IAS 16 Property, Plant and Equipment replaced IAS 16 Accounting for Property, Plant and Equipment (issued in March 1982). IAS 16 that was issued in March 1982 also replaced some parts in IAS 4 Depreciation Accounting that was approved in November 1975.

Adeday Microfinance Share Company (AMFSC) initially recognized all property, plant and equipment (PPE) at cost, and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance costs are recognized in profit or loss when incurred.

Parts of some items of PPE may require replacements or major overhauls at regular intervals. AMFSC allocates the amount initially recognized in respect of an item of PPE to its significant parts and depreciates separately each significant part if those parts have different useful lives. The carrying amount of the replaced parts is derecognized.



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AMFSC shall not depreciate Freehold land. Furthermore, construction in Progress is not also depreciated, as these assets are not yet ready for use. They are disclosed when they are reclassified during the period. Depreciation on other items of PPE is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

<u>Asset Class</u>	<u>Depreciation Rate (Years)</u>	<u>Residual value (%)</u>
Buildings	50	0
Motor vehicles	20	0
Furniture and fixtures	10	0
Computer and Electronics	10	0
Cash safe Box	10	0

AMFSC commences depreciation when the asset is available for use.

The residual values, estimated useful lives and depreciation method of PPE are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognized in profit or loss when the changes arise.

The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if the PPE probable that future economic benefits associated with the item will flow to the institution of and the cost of the item can be only measured reliably.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use disposal. The difference between the disposal proceeds and its carrying amount is recognized in profit or loss statement.

Carrying amount is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of other IFRSs, eg IFRS 2 Share-based Payment.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Entity-specific value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

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. (See IFRS 13 Fair Value Measurement.)



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An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. Property, plant and equipment are tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

2.7. Other assets

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

a) Prepayment

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

b) Trade and other receivables

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

The Adeday's other receivables are rent receivables and other receivables from debtors and others.

c) Inventory (AIS-2)

In April 2001 the International Accounting Standards Board (IASB) adopted IAS 2 Inventories, which had originally been issued by the International Accounting Standards Committee in December 1993. IAS 2 Inventories replaced IAS 2 Valuation and Presentation of Inventories in the Context of the Historical Cost System (issued in October 1975). In Adeday MFISC Inventories include office supplies and others have age one year and below.

2.9. Fair value measurement

The Bank measures financial instruments classified as available-for-sale at fair value at each statement of financial position date.

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.



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The principal or the most advantageous market must be accessible to by Adeday. 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. Adeday 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 one**— quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level Two** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level Three** — 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, Adeday 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.

Adeday's management determines the policies and procedures for both recurring fair value measurement, such as available-for-sale financial assets. For the purpose of fair value disclosures, Adeday has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above

2.10. Impairment of non-financial assets

Ade-day assesses, at each reporting date whenever there is any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized as an impairment loss in profit or loss statement.



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An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognized in profit or loss statement.

2.10. Leasehold land use right

The company has interred in to different leasehold land arrangements at different branches to be used for branch office. The accounting treatment of this leasehold land is based on IFRS 16; this standard 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 recognize 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 recognize 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. The term of the lease arrangement entered into is for 70 years use of land where as its settlement is to be completed within 30 years.

2.11. Employee benefits

Adeday operates various post-employment schemes, including both defined benefit and defined contribution pension plans and other employment benefits.

a) Defined contribution plan

Pension scheme in line with the provisions of Ethiopian pension of private organization employee's proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and Adeday respectively.

The pension scheme is 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.

b) Defined benefit plan

The liability re-recognized in the statement of financial position in respect of defined benefit severance payment is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high- quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related severance obligation.

The current service cost of the defined benefit plan, re-recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognized immediately in income



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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

c) Accrued Annual leave

For short-term employee benefits (accrued annual leave) the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognized in that period (as IAS19). The expected cost of short-term compensated absences should be recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

Annual leave is among the short term benefits (such as wages and salary, sick leave, maternity leave.) Adeday MFSC offers to employees. We recognize the undiscounted amount of the benefits expected to be paid in cash or (allow the annual leave) for the services given in the current year as liabilities of that specific period. Adeday MFSC, however, recognizes the annual leave expense when employees actually take the annual leave in cash, but has no the practice of recognition of the unused accrued annual leave in the period benefits recognized.

d) Termination benefits

Termination benefits are payable to employees when employment is terminated by Adeday before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Adeday has no such an experience

2.12. Provisions

Provisions are recognized when the institution has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Adeday expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate increase in the provision due to the passage of time is recognized as other operating expenses.

2.12.1. Changes in provisions

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

2.13. Share capital

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.



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3 Significant accounting judgments, estimates and assumptions

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

3.1 Judgments

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

Operating lease commitments - Adeday as lessee

Adeday has entered into commercial property leases. Adeday has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.2 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. Adeday 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 Adeday. Such changes are reflected in the assumptions when they occur.

Impairment losses on loans and receivables

Adeday reviews its loan portfolios for impairment on an on-going basis. Adeday first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment provisions are also recognized for losses not specifically identified but which, experience and observable data indicate, are presenting the portfolio at the date of assessment. For individually significant financial assets that has been deemed impaired, management has deemed that cash flow from collateral obtained would arise within 24 months where the financial asset is collateralised.

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.



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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 judgment applied in the calculation of the Adedy's impairment charge on financial assets are set out in the financial risk management section.

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, property price trends, and interest rates. The assumptions underlying this judgment are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Defined benefit plans

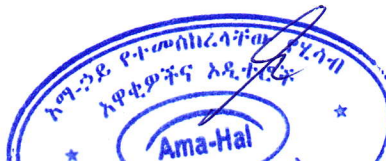
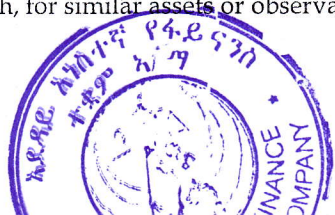
The cost of the defined benefit pension plan, long service awards, gratuity scheme and post-employment medical benefits and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Depreciation and carrying value of property, plant and equipment

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

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.



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4 Interest Income

Activities	30-Jun-25	30-Jun-24
Interest income from loan	115,374,687	90,306,706
interest income from deposit	4,772,218	3,017,354
Total Interest Income	120,146,905	93,324,060

5 Interest Expense

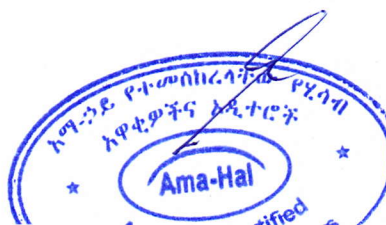
Activities	30-Jun-25	30-Jun-24
Personal saving interest expense	35,008,673	34,172,746
Compulsory saving interest expense	6,418,977	4,901,189
Time deposit interest expense	4,226,257	13,615,834
Interest on borrowings	18,311,540	-
Total Interest Expense	63,965,447	52,689,769

6 Fee and Commission Income

Activities	30-Jun-25	30-Jun-24
Services Revenue	8,031	18,362
Bank Service Charge	(87,940)	(12,980)
Net Fees and commission income	(79,909)	5,382

7 Other operating Income

Activities	30-Jun-25	30-Jun-24
Sale of pass book	14,654	249,742
Cash overage	230,036	136,446
Penalties	13,145	46,219
Business plan	463,450	520,084
ER-ACP Revolving fund	6,276,157	-
Rental income	360,000	-
Other income	12,197,197	6,972,389
Interest	-	-
	19,554,639	7,924,880
Reversal of impairment loss	768,962	2,013,914
Total other Operating income	20,323,601	9,938,794



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8 Loan impairment charge

Activities	30-Jun-25	30-Jun-24
Provision Current year	(8,827,694)	(8,827,694)
Beginning Provision	8,058,732	10,841,607
Provision reversed	(768,962)	2,013,913
Comprehensive Income	<u>(768,962)</u>	<u>2,013,913</u>

9 Employee Benefit Expense

Movement in Employee Benefit Expense	30-Jun-25	30-Jun-24
Salary and Wages	37,523,403	19,120,500
Accrued annual leave reclassification used annual leave	424,713	885,365
Cash indemnity	87,889	71,067
Pension	4,030,190	1,903,918
Uniform	-	123,614
Medical	50,000	-
Employees incentive / prizing/	108,000	-
Hardship allowance	673,962	275,959
Over Time	2,100	18,133
Transport allowance	3,518,636	1,354,090
House rent allowance	1,981,820	925,200
Mobile allowance	220,010	121,939
Position allowance	1,228,067	673,426
Current Remuneration	1,138,184	198,447
Accrued Remuneration expense	378,623	921,347
Current Employee annual leave expense	2,179,520	10,377
Below Market rate -Interest expense	1,399,995	544,610
Total employee benefit	<u>54,945,111</u>	<u>26,939,167</u>

Employee benefit expense includes reclassification of (salary and wage, and employee benefit as per which was included in the operation expense, current employee annual leave expense incurred), current service cost of 2025 and accrued annual leave as per IFRS.



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10 Other operating Expense

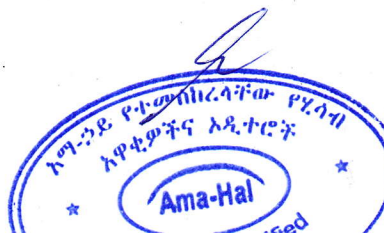
	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Activities		
Per-diam and Travel	1,649,545	1,072,142
Office supplies	3,669,215	1,997,446
Rent	7,657,225	4,291,300
Communication	2,184,153	403,216
Fuel and Lubricant	466,701	290,247
License Free	130,987	-
Sponsorship	1,185,400	2,442,764
Membership fee	41,900	25,000
Training and Workshop	1,911,018	1,287,612
Transportation	369,356	517,797
Advertisement	1,117,980	1,461,629
Entertainment	73,561	114,846
Repair and maintenance	626,805	689,454
Loading and unloading	936,331	139,940
Cleaning and Sanitation	27,607	7,350
Sundry	90,588	1,300,876
Accommodation	481,190	297,221
Municipality and licensing	811,263	349,350
Postal service	17,536	14,774
Document preparation	23,444	8,467
Audit fee	330,000	132,000
Consultant Expense	-	1,097,930
Water & Electricity	106,820	-
Interest expense-lease	-	45,248
Security expense	7,583,295	4,366,743
Damage expensr/Other Expense	1,694,480	160,990
Total Other operating Expense	<u>33,186,400</u>	<u>22,514,342</u>

Interest expense was re-measured from the outstanding balance of 2025 severance pay as per IFRS and interest expense-on lease was recognized as per IFRS. Other figures are taken from the company previous ledger.

The effective interest rate is used to compute interest of leasehold land obligation from the outstanding balance which is 0.6%.

11 Cash and cash equivalent

Activities	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Cash on hand	19,744,900	10,340,609
Cash at bank	179,888,731	143,995,802
Cash and Cash Equivalent	<u>199,633,631</u>	<u>154,336,411</u>



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12 Loan and Advance to Customers

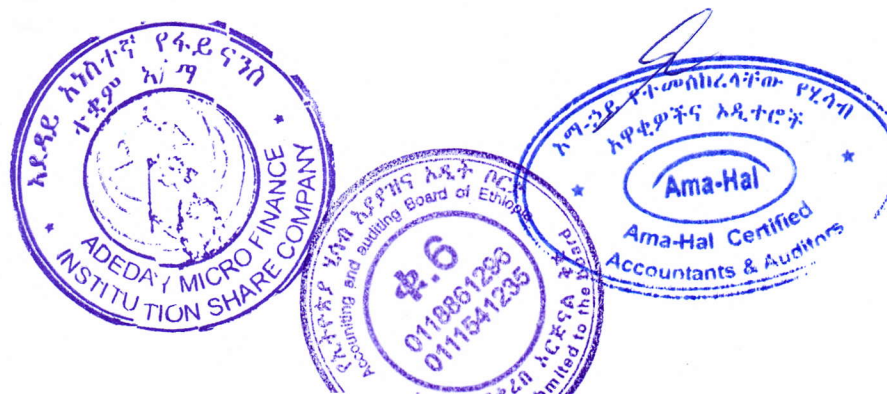
Activities	30-Jun-25	30-Jun-24
Outstanding Loan to customers	608,817,023	602,666,158
Outstanding Staff loan	6,356,166	3,999,389
Interest Receivable	266,388,727	216,723,182
Gross Loan and Advance	881,561,916	823,388,729
less: Loan provision	(8,058,732)	(8,827,694)
Less: Accumulated Fair value adjustment of staff loan	(1,399,995)	(544,610)
Loan Provision Recover Income	-	(23,759,572)
Loan and advances to customer	872,103,189	790,256,853
Loan and advance to customers by sector	30-Jun-25	30-Jun-24
Agriculture	48,593,564	44,817,908
Trade	321,096,080	310,103,147
Manufacturing	27,590,565	17,122,317
Construction	57,080,242	5,626,543
Service	130,989,492	125,330,184
Housing	-	70,476,627
Others	23,467,080	29,189,432
	608,817,023	602,666,158

Impairment assessment

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

a) Individual assessment

The entity reviewed and revised existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible, which would result in the earliest possible recognition of losses within the IFRS framework. The entity then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount.



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b) Collective assessment

Loans and receivables that are not specifically impaired are assessed under collective impairment. For the purpose of collective impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to contractual terms. The entity generally bases its analyses on historical experience. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is reviewed by credit management to ensure alignment with the Micro Finance's overall policy.

Statement of Prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the National Bank of Ethiopia (NBE) Directives. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

The directive No, MFI 28/2016 stipulates that Micro Finance would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Micro Finance would be required to comply with the following:

Provisions for loans recognized in the income statement should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under the NBE Directives No. MFI 28/2016 and the expected impact/changes in other reserves should be treated as follows:

- Prudential provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve (retained earnings) account to a "regulatory risk reserve".
- A prudential provision is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

Activities	30-Jun-25	30-Jun-24
Total impairment based on IFRS	8,058,732	8,827,694
Total impairment based on NBE Directives	11,350,326	12,433,371

As per the requirements of IFRS, Micro Finance should recognize interest income on the written down amount of the loan after the impairment loss, on an accrual basis, using the EIR. However, as per the requirement of National Bank of Ethiopia Directive No MFI 28/2016, banks should derecognized interest income on impaired exposures, special attention should be paid to impaired exposures with a higher number of days past due.



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The impairment allowance as per IFRS is lower than by 8,827,694 in 2024 and (768,961.98) in 2025 reduced the regulatory risk reserve . This results in we Consider to continue as it is b/c of current condition to happen impairment on loan is up normal condition/uncontrollable risk/ occurred un-distributable capital as reported under regulatory risk reserve.

13 Investment Securities

Activities	30-Jun-25	30-Jun-24
Available for sale	-	-
Equity investment	2,940,000	981,000
	<u>2,940,000</u>	<u>981,000</u>

The fair value of the unquoted equity securities carried at cost cannot be reliably estimated as there are no active market for these financial instruments; they have therefore been disclosed at cost less impairment.

14 Other Assets

Activities	30-Jun-25	30-Jun-24
Prepayments	14,466,355	7,673,964
Office supplies	8,132,687	6,126,035
Branch receivables	4,413,031	28,208,479
Other	21,660	548,134
Total other assets	<u>27,033,733</u>	<u>42,556,612</u>

15 Property, Plant and Equipment

(A) Cost of Property, Plant and Equipment

	30-Jun-24	Additional	30-Jun-25
Vehicle	3,387,080	-	3,387,080
Computer & Electronics	11,491,459	5,026,900	16,518,359
Furniture & Fixture	5,777,341	2,719,718	8,497,059
Cash safe Box	1,606,492	187,000	1,793,492
Machinery(Gennter)	235,000	2,000,000	2,235,000
Construction In Progress	42,499,000	16,984,411	59,483,411
Total cost Property, Plant and Equipment	<u>64,996,372</u>	<u>26,918,029</u>	<u>91,914,401</u>



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(B) Accumulated Depreciation of Property, Plant and Equipment

	<u>30-Jun-24</u>	<u>Depreciation</u>	<u>30-Jun-25</u>
Vehicle	1,048,326	172,879	1,221,205
Computer & Electronics	1,745,680	1,074,468	2,820,148
Furniture & Fixture	1,558,430	827,303	2,385,733
Cash safe Box	430,429	183,508	613,937
Machinery(Gennter	35,250	45,083	80,333
Total Accumulated Depreciation PPE	<u>4,818,115</u>	<u>2,303,241</u>	<u>7,121,356</u>

(C) Net Book Value/Residual value of Property, Plant and Equipment

	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Vehicle	2,165,875	2,338,754
Computer & Electronics	13,698,211	9,745,778
Furniture & Fixture	6,111,326	4,218,911
Cash safe Box	1,179,555	1,176,063
Machinery(Genertor)	2,154,667	199,750
Construction In Progress	59,483,411	42,499,000
Total Net Book Value/Residual value PPE	<u>84,793,045</u>	<u>60,178,256</u>

16 Leasehold land use right

Activities	<u>30-Jun-25</u>	<u>30-Jun-24</u>
Leasehold land use right	5,670,969	5,670,969
Accumulated Amortization	548,734	467,720
Amortization for the period	81,014	81,014
	<u>(629,748)</u>	<u>(548,734)</u>
Net leasehold land use right	<u>5,041,221</u>	<u>5,122,235</u>

The company is entered in to different financial leasehold land arrangements at different branches to be used for branch office. The term of the lease arrangement entered into is for 70 years use of land where as its settlement is to be completed within 30. The accounting treatment of this leasehold land is based on IFRS 16; this standard was issued in January 2016 (Effective 1 January 2019). Thus, early application has been made.

17 Investment Property

In April 2001 the International Accounting Standards Board (IASB) adopted IAS 40 *Investment Property*, which had originally been issued by the International Accounting Standards Committee (IASC) in April 2000.



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The cumulative change in fair value recognized in profit or loss on a sale of investment property Building from of assets in which the cost model is used into Fair value Replacement Cost Approach for the valuation of buildings, which Adeday has held for use. The Replacement Cost method estimates the current replacement value of a building by analyzing the cost component of the specific building. Value is calculated by considering the reconstruction cost of the building, minus depreciation suffered over the years in comparison to a new building.

Activities	30-Jun-25	30-Jun-24
Investment property (building)	17,703,671	17,703,671
Accumulated Amortization	1,455,595	1,101,522
Amortization for the period	354,073	354,073
	(1,809,669)	(1,455,595)
Net investment property	15,894,002	16,248,076

18 Deposit from Customers

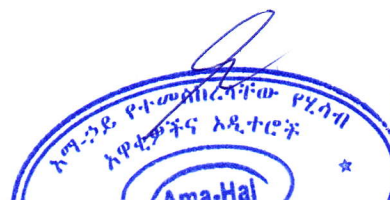
Activities	30-Jun-23	30-Jun-22
Personal Saving	544,306,471	502,422,024
Group Saving	101,354,137	94,530,205
Time deposit	134,224,962	127,205,226
Interest Payable	6,479,962	2,252,784
Deposit from customer	786,365,531	726,410,239

19 Borrowings From Bank

Activities	30-Jun-25	30-Jun-24
Lion International Bank	100,351,764	102,913,679
Development Bank -RUFIP	16,295,040	15,000,000
Development Bank -WEDP	20,781,273	-
Hibert Bank	10,000,000	-
Total borrowings from bank	147,428,076	117,913,679

The company has obtained overdraft facility of Birr 100,000,000 loan Lion Int. Bank s.c. The loan bears an interest rate of 14% per annum.

The company has obtained Birr 22,500,000 loan from RUFIP of DBE. The loan bears an interest rate of 11% per annum. The loan is repayable in semi annual commencing from July 31, and ending on July 31.



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The company has obtained Birr 20,781,273 loan from Development Bank of Ethiopia (Women Entrepreneurship Development Project). The loan bears an interest rate of 11% per annum. The loan is repayable by semi annually on July 31 and January 31, of each year commencing on January 31, 2025 and ending January 31, 2029.

The company has obtained Birr 20,000,000 but in phase one of Birr 10,000,000 loan was disbursed. The loan bears an interest rate of 8% loan from Hibret Bank per annum. The loan is repayable on quarterly installments of Birr 1,891,191.93 commencing from August 11, 2026 and ending February 13, 2028.

20 Revolving Fund obligation

Activities	30-Jun-25	30-Jun-24
KUW	1,719,038	1,719,038
Women Disable Association of Tigray	1,074,712	289,239
Total revolving fund obl.	2,793,750	2,008,277

21 Other liabilities

Activities	30-Jun-25	30-Jun-24
Other payables	124,410,692	21,207,728
Retention payable	2,788,617	2,256,520
Branch Account difference	-	47,936,612
Current LHL obligation	-	140,154
Lease Finance Cost Payable	-	618,731
Accrued employee annual leave expense	4,180,397	2,000,877
Total other Liabilities	131,379,706	74,160,622

Other liabilities increase the re-measurement of accrued employee annual leave expense, current lease land obligation, retention payable and lease finance cost payable.

22 Finance lease obligation

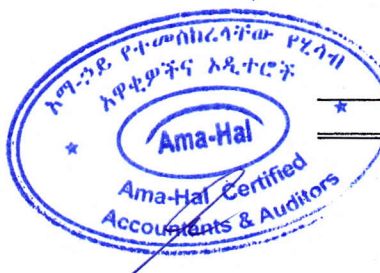
Activities	30-Jun-25	30-Jun-24
finance lease obligation	3,161,767	4,162,965
Additions	-	-
Classifications	-	-
Net noncurrent finance lease obligation	3,161,767	4,162,965

Movement of Finance Lease Obligation

Beginning balance	4,162,965
Less:- Settlement	(1,001,198)
	3,161,767

Maturity of Finance Lease Obligation

Current	1,001,198
Non-Current	2,160,569
	3,161,767



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23 Retirement benefit obligation

Activities	30-Jun-25	30-Jun-24
Beginning Retirement benefit obligation	1,182,510	509,266
Retirement benefit obligation addition	1,138,184	921,347
Retirement benefit obligation classification	-	(248,063)
Total Retirement benefit obligation	2,320,694	1,182,510

Employee severance pay obligation is adjusted as per IFRS that was not considered by GAAP in all the period. In calculating severance pay, we have done different actuarial assumptions:

i. Annual salary growth rate which is calculated as follows:

Formula is " $[(\text{End value}/\text{beg value})^{1/n}] - 1$, (Scientifically recognized formula)

Activities	30-Jun-25	30-Jun-24	30-Jun-23	30-Jun-22
Total monthly salary	3,126,950	1,593,375	684,728	609,239
# of Employees	267	207	144	158
Average monthly salary per employee	11,711	7,697	4,755	3,856

Salary Growth rate = 0.30

The growth rate of the employee salary is calculated using the average of the five years' salary increase of Adeday microfinance employees. Average monthly salary per employee of the for year-2024G.C since Adeday established divided by average monthly salary per employee of the base year or the year -2016 Adeday started to pay salary (=1.6187). Using the growth formula -end value/beg. Value $^{1/5} - 1$, the growth rate is 0.62 which is, $(11,711/7,697)^{1/5} - 1$.

i. Discount rate:

IAS 19 requires that the discount rate should be determined based on the yield of appropriate term high quality corporate bonds. In cases of no deep market for these bonds, the standard requires that the yield on government bonds of appropriate term be applied to determine the discount rate. Hence, the discount rate is the company's (Adeday MFSC's) cost of capital (11 %). Since no stock market in Ethiopia, there is no reliable discount rate in the market, and hence the discount rate is obtained from National Bank of Ethiopia (which Adeday microfinance gets long term loan).

ii. The probability of the employees turn over who can claim severance pay is determined based on the age. Employees' turnover is greater during the younger age and lesser when the employees get older.

iii. Each employee is assumed to terminate at the age of 54 to be considered in the severance pay



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iv. Employees who reach the retirement age-above 54 and joined Adeday within 4 years of the reporting date are assumed not eligible for severance and hence no provision is made for them.

The probability of employee turnover is calculated based on the following rate which is in age interval:

Age Interval	Probabilities of the employees turn over who can claim
< 25	2
26-30	10
31-35	7.5
36-40	5
41-45	2.5
46-49	1

Also, IAS 19 describes that the PV of the defined benefit obligation should be determined using the Projected Unit credit method. The projected unit credit method requires an entity to attribute benefit to the current period (in order to determine current service cost) and the current and prior periods (in order to determine the present value of defined benefit obligations). An entity attributes benefit to periods in which the obligation to provide post-employment benefits arises. That obligation arises as employees render services in return for post-employment benefits that an entity expects to pay in future reporting periods. Each period of service by an employee gives rise to an additional unit of future benefits.

The defined/retirement benefit obligation of Adeday microfinance in 2024 and 2025 includes the current period retirement obligation, interest payable of the previous period and previous period end balance retirement obligation. In 2024, the total retirement benefit reported in 2025, the total defined/retirement benefit obligation reported 2,320,694 includes interest payable of 2024's defined/retirement benefit obligation 509,226 reclassification no Adjusted plus 2024's current defined/retirement benefit obligation of 921,347 plus the previous period (2024's) end balance defined/retirement benefit obligation of 1,430,573

Amount recognized in the profit and loss.

Activities	30-Jun-25	30-Jun-24
Current service cost	1,399,995	544,610
Interest cost	544,610	618,73
Total	1,944,605	1,163,34

Amount recognized in other comprehensive income:

Items recognized in other comprehensive income includes, re-measurement gains/losses from changes in demographic assumptions, re-measurement gains/losses from changes in the economic assumptions and changes from experience. In Adeday microfinance, there is no any change in the assumptions. Hence, there is no any gain/loss to be recognized in the other comprehensive income (OCI).



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24 Share capital

Activities	30-Jun-25	30-Jun-24
At the beginning	53,600,000	53,600,000
Dividend capitalized	78,195,000	-
Cash injection for new shares	6,400,000	-
At the end of the year	<u>138,195,000</u>	<u>53,600,000</u>

The Authorized and Paid up Capital of the company is Birr 138,195,000 divided into 27,639 shares with a Par value of birr 5,000 each.

25 Retained Earnings

Activities	30-Jun-25	30-Jun-24
At the beginning	78,203,742	88,286,935
Profit/(loss) for the year	(15,234,013)	(10,083,193)
Dividend capitalized	(78,195,000)	-
Transfer to regulatory risk reserve	(16,861,634)	-
Depreciation transferred to revaluation reserve	2,462,857	-
Prior year adjustment	(8,742)	-
	<u>(29,632,790)</u>	<u>78,203,742</u>

26 Tax charge

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

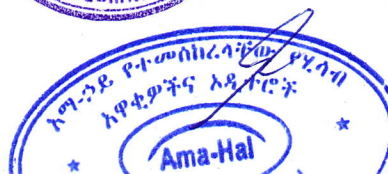
27 Revaluation reserve

	30-Jun-25	30-Jun-24
Beginning balance	11,245,308	11,245,308
Depreciation transferred from Retained earnings	(2,462,857)	-
	<u>8,782,451</u>	<u>11,245,308</u>

This represents revaluation of fixed assets at time on first time IFRS adoption.

28 Regulatory risk reserve

Activities	30-Jun-25	30-Jun-24
At the beginning	8,826,041	5,220,363
Transfer from (to) regulatory risk reserve	7,818,593	3,605,678
At the end of the year	<u>16,644,634</u>	<u>8,826,041</u>



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The Regulatory risk reserve is a non-distributable reserves required by the regulations of the National Bank of Ethiopia(NBE) to be kept for impairment losses on loans and receivables in excess of IFRS charge as derived using the incurred loss model. Where the loan loss impairment determined using the National Bank, of Ethiopia (NBE) guidelines is higher than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred to regulatory risk reserve and it is non-distributable to the owners of the Micro finance. Where the loan loss impairment determined using the National Bank of Ethiopia (NBE) guidelines is less than the loan loss impairment determined using the incurred loss model under IFRS, the difference is transferred from regulatory risk reserve to the retained earnings to the extent of the non-distributable reserve previously recognized

29 Cash flow	30-Jun-25	30-Jun-24
Activities		
Cash Flow from operating Activities		
Profit/(loss) for the year	(15,234,013)	(10,083,193)
Adjustment for non-cash items:		
Depreciation and Amortization	2,738,328	2,244,893
Loan loss impairment	-	-
Defined Benefit obligation	(1,807,166)	1,429,975
Interest Waive Expense	789,323	10,424,887
Change in working capital:		
Increase (decrease) loan and advance to customers	(81,846,336)	(124,604,122)
Increase (decrease) Interest Receivable	-	-
Increase (decrease) other assets	15,522,879	(915,210)
Increase (decrease) other liabilities	57,219,084	29,542,152
Increase (decrease) Revolving Fund	785,473	(31,001)
Increase (decrease) Finance Lease obligation	(1,001,198)	-
Increase (decrease)from customer deposits	59,955,292	107,777,649
Increase (decrease)Retirement Benefit Obligation	1,138,184	673,284
Net Cash inflow (out flow) from operating Activities	38,259,851	16,459,314

30 Contingent liabilities

The Micro finance is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. No provision has been made in the financial statements as the Directors believe that it is not probable that the economic benefits would flow out of the Micro finance in respect of these legal actions.

31 Events after reporting period

In the opinion of the Directors, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Micro Finance as at 30 June 2019 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.



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32 Related party transaction

Key management personnel compensation

Activities	30-Jun-25	30-Jun-24
Salary	838,000	536,400
Allowance	224,000	144,000
Total	1,062,000	680,400

The Board of directors of Adeday Micro Finance Institution S.Co did not paid any benefits and salary simple they serve the micro finance without any remuneration before and in the accounting year ended 30, 2025 G.C that the only for the manager of Adeday Micro Finance Institution S.Co. in addition General manager has staff loan of Birr 138,256.05 as of October, 2022 G.C disbursed and the outstanding balance Birr 26,027 as the end of June 30, 2025 G.C.

