Currency:Ethiopian Birr

4. Financial Risk Management

4.1 Introduction

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

4.1.1 Risk Management Structure

The Board of Directors has overall responsibility for the establishment and oversight of AVMF's risk management framework. The Board has established Risk Comittee, which are responsible for developing and monitoring's risk management policies. AVMF's risk management policies are established to identify and analyze the risks faced by AVMF , to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

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

4.1.2 Risk Measurement and Reporting Systems

AVMF'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. AVMF also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.
Monitoring and controlling risks is primarily performed based on limits established by AVMF. These limits reflect the business strategy and market environment of AVMF as well as the level of risk that AVMF is willing to accept, with additional emphasis on selected areas. In addition, AVMF's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

4.1.3 Risk Mitigation

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

4.2 Financial Instruments by Category

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

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

7 July 2024	Notes	FVTPL	FVOCI	Amortized cost	Total
Cash and balances with banks	12	-	-	27,195,076	27,195,076
Loans and receivables	13	-	-	249,828,576	249,828,576
Interest Receivable				7,730,183	7,730,183
Other Assets	15	-	-	3,556,633	3,556,633
Total financial assets		**-**	**-**	**288,310,468**	**288,310,468**

7 July 2023	Notes	FVTPL	FVOCI	Amortized cost	Total
Cash and balances with banks	12	-	-	6,228,003	6,228,003
Loans and receivables	13	-	-	45,447,947	45,447,947
Interest Receivable				5,543,860	5,543,860
Other Assets	15	-	-	1,734,256	1,734,256
Total financial assets		**-**	**-**	**58,954,066**	**58,954,066**

4.3 Credit Risk

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

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

4.3.1 Management of Credit Risk

In measuring credit risk of loans and receivables to various counterparties, AVMF considers the character and capacity of the obligor to pay or meet contractual obligations, current exposures to the counter party/obligor and its likely future developments, credit history of the counterparty/obligor; and the likely recovery ratio in case of default obligations-value of collateral and other ways out. Our credit exposure comprises loans and receivables which are developed to reflect the needs of our customers. AVMF'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.

a) Probability of Default

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

b) Loss Given Default(LGD)

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

c) Exposure at Default

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

4.3.2 Impairment Assessment

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

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

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, AVMF considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on AVMF's historical experience and expected credit risk assessment and including forward-looking information.AVMF considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative criteria have been met.The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, AVMF is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination

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

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

a) Individual Assessment

AVMF 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. AVMF then estimated the impairment based on the shortfall between the present value of estimated future cash flows and the asset carrying amount. Since the loan data is big, AVMF shall perform indivdual assessemt of protiflo account and catagorize collectively for further analysis.

b) Collective Assessment

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

c) Collective Assessment (Contd)

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

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4.3.3 Credit Related Commitments Risks

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

4.3.4 Maximum Exposure to Credit Risk Before Collateral Held or Credit Enhancements

a) Types of Credit Exposure

AVMF's maximum exposure to credit risk at 7 July 2024 and 7 July 2023 respectively, is represented by the net carrying amounts in the statement of financial position.

	7 July 2024	7 July 2023
Cash and balances with banks	27,195,076	6,228,003
Loans and receivables	249,828,576	45,447,947
Other Assets	3,556,633	1,734,256
Interest Receivable	7,730,183	5,543,860
Total maximum exposure	**288,310,468**	**58,954,066**

b) Loans and Receivables at Amortised Cost

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

	7 July 2024	7 July 2023
Agricultural Loan	24,684,642	6,068,086
Consumption Loan	19,211,659	11,026,845
Service Loan	5,350,545	611,061
Trade Loan	89,634,976	27,869,054
Lease	3,300,453	320,824
Construction	2,384,600	1,022,091
Climate Financing	106,827,336	-
	251,394,210	46,917,961
Staff Loan	1,614,297	355,091
	253,008,507	**47,273,051**

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

	7 July 2024	7 July 2023
Perfoming	249,219,924	46,917,961
Substandard (91-180 past due)	561,590	54,909
Doubtful(181-365 Past due)	374,919	43,867
Loss(More than 365 past due)	1,237,778	1,371,237
	251,394,210	**45,447,947**

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

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

4.3.5 Credit Quality Analysis

a) Credit Quality of Loans and Receivables

7 July 2024	Neither past due nor impaired Stage -1 and Past due but not impaired Stage-2	Individually impaired stage-3	Total
Agriculture			24,684,642
Trade			89,634,976
Consumption			19,211,659
Lease			3,300,453
Construction			2,384,600
Service			5,350,545
Climate Financing			106,827,336
			251,394,210
Gross			
Less: Impairment Allowance			(1,565,635)
Net			**249,828,576**

7 July 2023	Neither past due nor impaired Stage -1 and Past due but not impaired Stage-2	Individually impaired stage-3	Total
Agriculture			6,068,086
Trade			27,869,054
Consumption			11,026,845
Lease			320,824
Construction			1,022,091
Service			611,061
			46,917,961
Gross			
Less: Impairment allowance			(1,470,014)
Net			**45,447,947**

b) Allowance for Impairment	**Sub Standard** (91 -180 Days)	**Doubtful** (151-365 Days)	**Loss** (Over 365 days)	**7 July 2024**	**7 July 2023**
Collective Impairment	140,398	187,459	1,237,778	1,565,635	1,470,013
Total Allowance for Impairment				**1,565,635**	**1,470,013**

4.3.6 Credit Concentrations

AVMF monitors concentrations of credit risk by socio-economic sector. An analysis of concentrations of credit risk at 7 July 2024 and 7 July 2023. AVMF concentrates all its financial assets in Ethiopia, particularly, Addis Ababa and Oromia regional state.

7 July 2024	Public Enterprise Birr	Cooperative Birr	Private Birr
Cash and balance with banks	-	-	27,195,076
Loans and Receivables	-	-	249,828,576
Interest Receivable	-	-	7,730,183
Other Assets	-	-	3,556,633
	-	-	**288,310,468**

7 July 2023	Public Enterprise Birr	Cooperative Birr	Private Birr
Cash and balance with banks			6,228,003
Loans and receivables			45,447,947
Interest Receivable			5,543,860
Other Assets			1,734,256
			58,954,066

4.3.7 Nature of Security in Respect of Loans and Receivables

7 July 2024	Secured against Fixed asset Birr	Individual Cash guarantees Birr	Total Birr
Agriculture	-	24,684,642	24,684,642
Trade	-	89,634,976	89,634,976
Consumption	-	19,211,659	19,211,659
Lease	-	3,300,453	3,300,453
Construction	-	2,384,600	2,384,600
Service	-	5,350,545	5,350,545
Climate Financing	-	106,827,336	106,827,336
	-	**251,394,210**	**251,394,210**
Less: Impairment allowance		**(1,565,635)**	(1,565,635)
		249,828,576	**249,828,576**

4.3.8 Collateral Held and their Financial Effect

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and AVMF generally requests that borrowers provide it. Staff loans also secured to the extent of the loan amount by salaried employee which work inside or outside AVMF MFI .
AVMF may take collateral in the form of House ,Vehcicle , Cash/savings and group guarantees. AVMF does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to AVMF's focus on creditworthiness, it aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers.

4.4 Liquidity Risk

Liquidity risk is the risk that AVMF 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 AVMF might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to AVMF on acceptable terms.
The main objective of liquidity risk framework is to maintain sufficient liquidity in order to ensure that we meet our maturing obligations.

AVMF 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, monetering statment of financial postion liquidty ratio aginst internal and regulatry reqirements and mangeement of future cash flow .
AVMF has incurred indebtedness in the form of borrowings. AVMF evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, AVMF plan strategies to manage its liquidity risk.
Prudent liquidity risk management implies that sufficient AVMF is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to AVMF's reputation.

4.5 Market risk

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

4.5.1 Management of Market Risk

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

4.5.2 Interest Rate Risk

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

7 July 2024	**Fixed**	**Non-interest bearing**	**Total**
	Birr	**Birr**	**Birr**
Assets			
Cash and balances with banks	21,790,446	5,404,630	27,195,076
Loans and receivables	3,556,633	257,558,759	261,115,392
Total	**25,347,079**	**262,963,388**	**288,310,468**
Liabilities			
Deposits from customers	76,005,816		76,005,816
Other liabilities	-	64,194,056	64,194,056
Borrowing	17,500,000		17,500,000
Total	**93,505,816**	**64,194,056**	**157,699,872**

7 July 2023	**Fixed**	**Non-interest bearing**	**Total**
	Birr	**Birr**	**Birr**
Assets			
Cash and balances with banks	4,184,432	2,043,571	6,228,003
Loans and receivables	1,734,256	50,991,807	52,726,063
Total	**5,918,688**	**53,035,378**	**58,954,066**

Liabilities			
Deposits from customers	25,596,816		25,596,816
Other liabilities	-	6,610,946	6,610,946
Borrowing	519,146		519,146
Total	**26,115,962**	**6,610,946**	**32,726,908**

4.6 Capital Management

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

4.6.1 Capital Adequacy Ratio

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

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

	7 July 2024	7 July 2023
Capital	**Birr**	**Birr**
Capital contribution	149,780,000	45,230,000
Donated Equity	1,129,222	1,129,222
Retained earnings	107,180	(8,941,813)
Legal reserve	601,994	125,731
Reserve Surplus	(741,994)	(741,994)
	150,876,402	**36,801,146**
Credit equivalents for on balance sheet items	157,699,872	32,726,907
Risk Weighted Assets		
Risk weighted balance for on-balance sheet items	288,310,468	58,954,006

4.7 Fair Value of Financial Assets and Liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

4.7.1 Valuation Models

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

4.7.2 Financial Instruments not Measured at Fair Value - Fair Value Hierarchy

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

7 July 2024	Carrying amount Birr	Fair value Birr
Financial Assets		
Cash and balances with banks	27,195,076	27,195,076
Loans and receivables	249,828,576	249,828,576
Interest Receivable	7,730,183	7,730,183
Other asset	3,556,633	3,556,633
Total	**288,310,468**	**288,310,468**
Financial Liabilities		
Deposits from customers	76,005,816	76,005,816
Borrowings	17,500,000	17,500,000
Other liabilities	64,194,056	64,194,056
Total	**157,699,872**	**157,699,872**

7 July 2023	Carrying amount Birr	Fair value Birr
Financial Assets		
Cash and balances with banks	6,228,003	6,228,003
Loans and receivables	45,447,947	45,447,947
Interest Receivable	5,543,860	5,543,860
Other asset	1,734,250	1,734,250
Total	**58,954,060**	**58,954,060**
Financial Liabilities		
Deposits from customers	25,296,816	25,296,816
Borrowings	519,146	519,146
Other liabilities	6,610,946	6,610,946
Total	**32,426,908**	**32,426,908**

4.7.3 Valuation Techniques using Significant Unobservable Inputs - Level 3

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

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		2023
5 Interest Income		
Interest Income on Loans	21,636,184	11,205,414
Interest on Saving Deposits	1,329,848	233,915
Interest on Staff Loan	75,489	50,345
	23,041,521	**11,489,675**
6 Interest Expenses		
Interest Expense on client saving deposit	2,882,611	1,257,422
Interest Expense on Loan	30,833	259,670
	2,913,445	**1,517,091**
7 Net fees and commission income		
Fee and commission income		
Service charge	9,730,012	2,395,638
Registration Fee	73,620	47,435
Income from sales of pass book	71,745	25,482
	9,875,376	**2,468,555**
Fee and commission expense		
Net fees and commission income	**9,875,376**	**2,468,555**
7.a. Service Charges on the loans granted	-	-
Less: Unearned Service Charges realized during the year	-	-
Service Charges Earned	-	-
8 Other Operating Income		
Loan loss recovery	189,437	875,859
Legal fee refund	92,252	98,506
Penalty and Other Income	1,173,950	1,168,965
Credit Life Insurance Premium Income	4,680,274	-
	6,135,912	**2,143,330**
9 Loan Impairment Charge		
Loan Loss as per GAAP	-	-
Impairment recovery	-	-
Loans written off	-	-
	-	-
10 Salary and Other Employees Benefits		
Salary and Other Benefit Expense	17,732,445	7,588,435
Annual leave Expenses	630,996	161,957
Severance Expenses	163,482	113,224
	18,526,923	**7,863,617**
10.1 Severance Expense		
Severance Expenses-Accrued	-	136,153
Severance Paid in the Year (that was in salary and other benefits)	-	(22,929)
	-	**113,224**

11 Other operating expenses	7 July 2024	7 July 2023
Office Rent Expense	2,531,294	841,237
Perdium and Traveling Expense	387,173	631,052
Sundry Expenses	180,626	105,612
Stationary and Printing Expense	1,195,585	710,957
Depreication	728,401	395,570
Fuel and Lubricant Expense	217,217	364,118
Advertisement Expense	77,920	18,710
Communication Expense	606,859	199,323
Repair and Maintenance Expense	246,882	213,203
Spare part Expense	2,665	369,136
Transport Expenses	395,913	627,033
Legal Fee	266,525	191,647
Utility Expense	34,353	18,406
Audit Fee	75,000	57,500
Training Expense	3,225	22,243
Bank Charge	285,972	8,852
Insurance Expense	70,620	52,595
Membership fee	-	42,414
License and registration	112,788	35,863
Cash Indemnity Expenses	13,400	15,650
Meeting Refreshment	145,701	65,103
Uniform Expense	7,326	-
Commission Expense	-	36,000
Amortization Expense	15,106	-
	7,600,552	**5,022,224**

12 Cash at Bank Balances	7 July 2024	7 July 2023
Cash at Bank - Saving	21,790,446	4,184,432
Cash at Bank - Current	5,404,630	2,043,571
	27,195,076	**6,228,003**
Maturity analysis		
Current	27,195,076	6,228,003
Non-Current	-	-
	27,195,076	**6,228,003**

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

13 Loans Receivables	7 July 2024	7 July 2023
Loans Outstanding	251,394,210	46,917,961
Gross amount	251,394,210	46,917,961
Less: Loan Impairment allowance	(1,565,635)	(1,470,014)
	249,828,576	**45,447,947**

13.1 Impairment allowance on loans and receivables

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

Collective allowance for impairment	As at 7 July 2024	Charge for the year	As at 7 July, 2023
Impairment Loss	1,565,635	95,622	1,470,013
	1,565,635	**95,622**	**1,470,013**

14 Leasehold land

	Balance 07-07-23	Addition	Balance 07-07-24
Cost	-	1,057,427	1,057,427
Amortization	-	15,106	15,106
	-		1,042,321

The company acquired 625 m2 of land on a 30 years lease term from Oromia regional Government - Sendafa Town Administration as per a lease agreement signed in 30/02/2016 E.C. The Cost of the Lease Land Birr 1,057,427 is repayable over 40 years with annual payment of Birr 26,427

15 Investment

	7 July 2024	7 July 2023
Share Investment - Inclusive Financial Technology S.C.	1,958,000	2,107,825
Share Investment - Ethiopian Securities Excange S.C	5,000,000	-
	6,958,000	**2,107,825**

The balances are maintained based on amortized cost valuation as there is no clearly identified market for the instrument.

16 Other assets

	7 July 2024	7 July 2023
Financial assets		
Staff Loan	1,614,297	355,091
	1,614,297	**355,091**
Other financial assets		
Prepayments	904,033	887,646
Staff Recievables	67,791	53,961
Operation Advance	482,884	11,140
Sundry Receivable	326,461	258,250
Court Receivable	161,168	168,168
	1,942,337	**1,379,166**
Less :Impairment allowance on other assets	-	-
	3,556,633	**1,734,256**
Maturity analysis		
Current	3,556,633	1,734,256
Non-Current	-	-
	3,556,633	**1,734,256**

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17 Property, Plant and Equipment

	Buildings	Motor Vehicles and Cycles	Computer & Accessories	Office Equipment & Furniture	Generator	Construction in progress	Total
Costs							
As at July 7, 2022	**188,614**	**1,300,759**	**744,764**	**978,366**	**-**	**4,811,671**	**8,024,174**
Additions - in the year	-	-	1,111,800	240,300	175,000	-	**1,527,100**
OB Adjustment	-	111,058	913,858	(203,798)	-	-	**821,118**
As at July 7, 2023	**188,614**	**1,411,817**	**2,770,422**	**1,014,869**	**175,000**	**4,811,671**	**10,372,392**
Additions - in the year	-	**232,650**	1,392,461	1,752,132	424,000	281,860	**4,083,103**
As at July 7, 2024	**188,614**	**1,644,467**	**4,162,883**	**2,767,000**	**599,000**	**5,093,531**	**14,455,495**
Depreciation							
As at July 7, 2022	**52,890**	**1,239,674**	**287,409**	**114,593**	**-**	**-**	**1,694,566**
Current Depreciation	3,772	94,121	171,250	108,927	17,500	-	**395,570**
As at July 7, 2023	**56,662**	**1,333,795**	**458,659**	**223,520**	**17,500**	**-**	**2,090,136**
Current Depreciation	3,772	82,931	460,039	158,717	22,942	-	**728,401**
As at July 7, 2024	**60,434**	**1,416,726**	**918,698**	**382,237**	**40,442**	**-**	**2,818,537**
Carrying Value							
As at July 7, 2023	**131,952**	**78,022**	**2,311,763**	**791,349**	**157,500**	**4,811,670**	**8,282,257**
As at July 7, 2024	**128,179**	**227,741**	**3,244,185**	**2,384,764**	**558,558**	**5,093,531**	**11,636,958**

Company Deprecation Policy

Asset Category	Years	%
Buildings	50	
Furniture and Equipment	10	
Computer and Accessories	7	
Motor vehicles	15	
Motor Bike	10	

AFRICA VILLAGE MICRO FINANCE S.C.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 07 JULY 2024

		Currency:Ethiopian Birr 7 July 2024	7 July 2023
18	**Client Saving and Deposits**		
	Loan Insurance Fund - Compulsory	7,894,422	2,611,293
	On Going Saving - Compulsory	5,889,601	4,800,699
	Security and Compulsory Saving	**13,784,022**	**7,411,992**
	Loan Saving - Voluntary	11,880,143	9,240,664
	Individual Saving - Ordinary	47,880,244	6,273,815
	Time Deposit	1,192,023	1,319,668.00
	Other Deposits	1,269,383	1,350,678
	Voluntary and Individual Savings	**62,221,794**	**18,184,824**

		7 July 2024	7 July 2023
19	**Other Liabilities**		
	Client Insurance Payable	-	1,803,941
	Saving interest Payable	182,678	459,484
	Provident Fund and Pension	180,912	206,781
	Employee Income Tax	301,823	137,470
	Withhold Tax Payable	114,570	35,433
	Intercompany Account	1,180,148	3,233,593
	Audit fee - Accrued	75,000	57,500
	Other Payable	118,577	-
	Payable to Individual	1,521,363	-
	Payable to Organization	57,958,000	-
	Cash Indeminity	21,415	11,700
		61,654,486	**5,945,902**

		7 July 2024	7 July 2023
20	**Bank Term Loans**		
	Commercial Loan		
	Current		
	Non-Current		
	Awash International Bank S.C	15,000,000	-
	Development Bank Of Ethiopia-RUFIP	2,500,000	519,146
		17,500,000	**519,146**

Africa Village Micro Finance S.C. financial liabilities which includes short and long term loans.

Under IFRS, All financial liabilities are initially recognised at fair value, minus transaction costs that are directly attributable to issuing the financial liability.

There are two measurement categories for financial liabilities: fair value, and amortised cost. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss.

The Company secured term loans from the Development Bank of Ethiopia and Awash International Bank S.C., with annual interest rates of 8% and 13%, respectively. These loans, provided in consideration of AVMF's financial services, amount to Br. 2,500,000 and Br. 15,000,000 as per the signed contract agreement.

Maturity analysis	7 July 2024	7 July 2023
Current	-	519,146
Non-Current	17,500,000	-
	17,500,000	**519,146**

21 Grants

	7 July 2024	7 July 2023
Balance as at the beginning of the year	-	-
Amortisation	-	-
Balance at the end of the year	-	-

	7 July 2024	7 July 2023
Current	-	-
Non-Current	-	-
	-	-

A grant loans with below market rate of interest are measured at fair value on initial recognition loan shall be recognised and measured in accordance with IFRS 9 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for in accordance with IAS 20.

IAS 20 requires that a grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

22 **Employee Benefits**	7 July 2024	7 July 2023
22.1 **Severance Payable**		
Defined Benefits liabilities:		
Opening Balance	**472,193**	**381,897**
Severance pay - Currently Accrued (Added)	163,482	113,224
Severance Current payment	(154,939)	(22,929)
Liability in the statement of financial position	**480,736**	**472,193**
22.2 **Annual leave pay**		
Opening Balance	**354,288**	**354,288**
Leave pay - Currently Accrued (Added)	630,996	-
Leave Current payment	(59,292)	-
	925,991	**354,288**
Liability in the statement of financial position	**1,406,727**	**826,480**
Income statement charge included in personnel expenses:		
Severance costs	163,482	113,224
Annual leave pay	630,996	-
	794,478	**113,224**

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Africa Village Micro Finance S.C. Head Office

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Total defined benefit expenses (Severance)
Remeasurements for:

Remeasurement of severance under IFRS	-	-
Deferred tax (liability)/asset on remeasurement gain o	-	-

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

Maturity analysis	**7 July 2024**	**7 July 2023**
Current	-	-
Non-Current	1,406,727	826,480
	1,406,727	**826,480**

Severance pay

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

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

		7 July 2024	**7 July 2023**
A	**Liability recognised in the financial position**	1,406,727	472,193
B	**Amount recognised in the profit or loss**		
	Current service cost	794,478	113,224

		7 July 2024	**7 July 2023**
23	**Deferred Service Charges**		
	Unearned Service Charges on Loans Granted	192,851	192,851
		192,851	**192,851**

			7 July 2024	**7 July 2023**
24	**Capital**			
	22.1. Paid-up Capital		**45,230,000**	**25,306,000**
	Current Additions			
	Birhanu Said Ali	70,000		24,000
	Woinitu Said Ali	-		150,000
	Shemu PLC	2,838,000		-
	Kahesay Wolday Barnabas	101,642,000		19,750,000
			104,550,000	**19,924,000**
			149,780,000	**45,230,000**

Currency:Ethiopian Birr

25 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These are disclosed below:

a) Transactions with related parties

There are no staff loans and advances disbursed to key management members and outstanding for the years ended 07 July 2024.

b) Key management compensation

Key management has been determined to be the members of the Board of Directors and General Manager of AVMF. Benefit paid or payable to key management is shown. There were no sales or purchase of goods and services between AVMF and key management personnel made during the year ended 7 July 2024.

	7 July 2024	7 July 2023
Salaries and Other Short-Term Employee Benefits	3,279,662	1,258,327
Post-Employment Benefits	647,101	132,288
Termination Benefits	-	-
Sitting allowance (GM/Representation Allowance)	132,000	41,073
Board allowance	600,000	-
Other expenses	-	-
	4,658,763	**1,431,688**

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

26 Events after reporting period

In the opinion of the Mangement, there were no events in AVMF after 7 July 2024 on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

Africa Village Micro Finance Head Office

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Accounting and Auditing Board of Ethiopia
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		7 July 2024	7 July 2023
	NPL & PAR by NBE Standard		
	Total Loan Outstanding	251,394,210	46,917,961
Less:	Substandard (91-180 past due)	140,398	54,909
:	Doubtful (181-365 Past due)	187,459	43,867
:	Loss (More than 365 past due)	1,237,778	1,371,237
	Performing Loan Outstanding	**249,828,576**	**45,447,947**

Portfolio at Risk (PaR)

	7 July 2024	7 July 2023
Total Loan Outstanding	251,394,210	46,917,961
Impairment Loss	1,565,635	1,470,013
PaR	**0.6%**	**3.1%**

Repayment rate is a popular measure that indicate the quality of risk involved in the current outstanding portfolio. It only measures the loan portfolio or the amount of historical rate of loan recovery.

Annual Repayment Rate = $\dfrac{\text{Total value of principal loan collected in reporting year - Unscheduled collection in reporting year}}{\text{Total value of principal scheduled for collection in reporting year + Value of payments in arrears at the beginning of the year.}}$

$$\frac{250{,}976{,}292 - 0}{251{,}040{,}039 + 2{,}107{,}683} \times 100\%$$

$$\frac{250{,}976{,}292}{253{,}147{,}723} \times 100$$

99.1%