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**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
OF**

PEACE MICRO FINANCE SHARE COMPANY

AS AT AND FOR THE YEAR ENDED 30 JUNE 2021

TAY

Authorized Accountants & Auditors

Addis Ababa, Ethiopia

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**PEACE MICRO FINANCE SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2021**

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**PEACE MICRO FINANCE SHARE COMPANY
DIRECTORES, PROFESSIONAL ADVISERS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2021**

PEACE Micro-Finance S. C

Boards of Directors, Senior Management and registered office
As at 30 June 2021

Company registration number

LD/AA/2/0003970/2010

Board of Directors

1.	Ato Getachew Worku	Chair Person	Appointment on Dec. 2020
2.	Ato Mammo Kebede Shenkut	Member	Appointment on Dec. 2020
3.	Dr. Assefa W/Giyorgis	Member	Appointment on Dec. 2020
4.	W/ro Tsehay Tsegaye	Member	Appointment on Dec. 2020
5.	Ato Ephraim Alamirew	Member	Appointment on Dec. 2020
6.	Ato Mesfin Tefera	Member	Appointment on Dec. 2020
7.	Agri Service Ethiopia representative (W/ro Aynalem Asheber)	Member	Appointment on Dec. 2020

Senior Management

1.	Ato Tezera Kebede	Deputy Chief Executive Officer	Appointment on Mar. 2000
2.	Ato Feleke Borga	Deputy Chief Executive Officer	Appointment on Feb. 2019
3.	Ato Asnake H/Michael	Business Development and Marketing Manager	Appointment on Nov. 2016
4.	W/t Netsanet Kassa	Finance Department Manager	Appointment on Jan, 2020
5.	Ato Mesfin Alemayu	Credit Department Manager	Appointment on Jan. 2021
6.	W/ro Zinash Tefera	Saving Department Manager	Appointment on Jan. 2021
5.	Ato Bedada Tesfaye	HR Manager	Appointment on Jan 2019
6.	Ato Feleke Wegu	ICT Manager	Appointment on Jun 2021

Independent Auditor

TAY Authorized Accountants and Auditors
Authorized Auditor (Eth.)
TEL. 011-442-13-36, 011-442-00-62
Mobile 0930-01-41-06, 0911-51-50-38/39
FAX 251-011-442-13-38
e-mail : info@tayauditing.com
P.O. Box 1335
Addis Ababa, Ethiopia



Registered office

Region
Tel. 0116-521541, 0115-571922/23/24
Fax 0115 571926, P. O. Box 5743

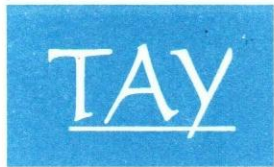
Addis Ababa, Sub City

Kirkos Woreda 03, House No. 198

Principal Bankers

- Bank 1: Commercial Bank of Ethiopia
- Bank 2: Developmental Bank Ethiopia
- Bank 3: United Bank of Ethiopia
- Bank 4: Co-operative Bank Oromia
- Bank 5: Oromia International Bank
- Bank 6: ENAT Bank
- Bank 7: Addis International Bank
- Bank 8: Abay Bank
- Bank 9: Awash International Bank
- Bank 10: Wegagen Bank
- Bank 11: Abisinya Bank





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Authorized Accountants and Auditors

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF PEACE MICRO FINANCE SHARE COMPANY

Opinion

We have audited the financial statements of PEACE Micro Finance Share Company which comprise the statement of the financial position as at 30 June 2021, and the statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2021 and its financial performance, and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of the Management and those Charged with Governance for the Financial Statements

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

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



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

Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be thought to bear on our independence and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these, matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ato Yeheyis Bekele BA, FCC

TAY Authorized
Account & Auditor



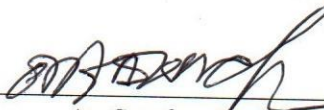
Addis Ababa
24 November 2021



PEACE MICRO FINANCE SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 June 2021	30 June 2020
ASSETS			
Property, Plant and Equipment	13	12,260,193	9,436,964
Right of use assets	14	2,825,954	3,016,995
Financial investments	10	3,737,000	1,225,367
Loans and advances to customers and staffs	9	9,254,977	4,686,986
Non-current assets		28,078,123	18,366,311
Inventory	12	329,959	388,770
Loans and advances to customers and staffs	9	346,851,362	284,382,033
Other Assets	11	2,556,714	1,139,551
Cash and cash equivalents	15	105,948,430	67,621,745
Current assets		455,686,466	353,532,099
Total assets		483,764,589	371,898,410
EQUITY			
Paid up capital	16	30,324,000	30,324,000
Retained earning	17	45,236,903	36,086,052
Revaluation reserve	18	4,500,786	5,569,983
Legal Reserve	19	6,064,800	6,064,800
Donated Equity	20	25,716,162	17,940,404
Total equity		111,842,650	95,985,239
LIABILITIES			
Loans and borrowings	21	203,662,874	120,805,607
Deferred income	22	9,119,104	9,142,073
Other payable	24	10,009,418	8,128,268
Employee benefits	25	6,705,196	4,999,801
Finance lease liabilities	26	6,506,188	5,450,079
Non current liabilities		236,002,780	148,525,827
Deferred income	22	2,628,180	2,912,189
Client saving Deposit	23	129,030,281	121,837,778
Other payable	24	1,067,354	550,006
Employee benefits	25	3,193,344	2,087,373
Total Current liabilities		135,919,159	127,387,345
Total Liabilities		371,921,939	275,913,172
Total equity and liabilities		483,764,589	371,898,410

The notes on pages 10 to 30 are an integral part of these financial statements.


Ato Getachew Worku
Board Chair Person



Tezera Kebede
Chief Executive Officer (CEO)



**PEACE MICRO FINANCE SHARE COMPANY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Paid up capital Birr	Retained earnings Birr	Legal Reserve Birr	Revaluation Birr	Donated equity Birr	Total Birr
As at 1 July 2020	30,324,000	21,697,366	5,977,611	6,639,180	17,918,569	82,556,726
Profit for the period	-	13,408,451	-	-	-	13,408,451
Deferred income	-	-	-	-	21,836	21,836
Transfer to legal reserve	-	(87,189)	87,189	-	-	-
Prior year adjustment	-	(1,774)	-	-	-	(1,774)
Transfer from revaluation reserve to retained earning	-	1,069,197	-	(1,069,197)	-	-
As at 30 June 2020	30,324,000	36,086,052	6,064,800	5,569,983	17,940,404	95,985,239
As at 1 July 2020	30,324,000	36,086,052	6,064,800	5,569,983	17,940,404	95,985,239
Profit for the period	-	9,162,222	-	-	-	9,162,222
Increase share capital	-	-	-	-	-	-
Deferred income	-	-	-	-	7,775,757	7,775,757
Transfer from revaluation reserve to retained earning	-	1,069,197	-	(1,069,197)	-	-
Prior year adjustment	-	(1,080,568)	-	-	-	(1,080,568)
As at 30 June 2021	30,324,000	45,236,903	6,064,800	4,500,786	25,716,162	111,842,650

The notes on pages 10 to 30 are an integral part of these financial statements.


Ato Getachew Worku
Board Chair Person




Tezera Kebede
Chief Executive Officer (CEO)
Ato Tezera Kebede
Chief Executive Officer



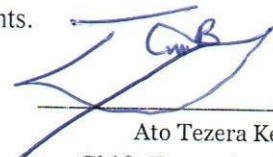
PEACE MICRO FINANCE SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021	30 June 2020
	<u>Birr</u>	<u>Birr</u>
Cash flows from operating activities		
Profit before tax	9,162,222	13,408,451
Adjustment for:		
Amortisation of right of use asset	2,021,621	2,155,968
Depreciation of property, plant and equipment	1,791,918	1,523,001
Loan Adjustment	-	(1,777)
Other Adjustment	(1,080,568)	-
Cash Flow From Operation before Changes in Working Capital	11,895,192	17,085,643
Decrease (Increase) in Loans & Advances	(67,037,318)	(55,353,515)
Decrease (Increase) in Other Assets	(1,417,163)	307,525
Increase (Decrease) in Deposits	7,192,503	20,407,186
Increase (Decrease) in Other Liabilities	5,958,996	5,054,831
Decrease (Increase) Inventory	58,811	(48,383)
Cash Generated From Operation	11,895,192	17,085,643
Net Cash flow from Operating Activities	(43,348,979)	(12,546,713)
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(4,615,147)	(1,898,010)
Investment in Shares	(2,511,633)	(67,367)
Additional investment in right of use asset	(1,830,580)	(1,760,394)
Net Cash flow from Investing Activities	(8,957,360)	(3,725,771)
Cash Flow From Financing Activities		
Donated income	7,775,757	21,836
Increase (Decrease) Borrowings	82,857,267	59,041,404
Net Cash flow from Financing Activities	90,633,025	59,063,240
Changes in Cash and Cash Equivalents	38,326,685	42,790,756
Cash and Cash Equivalent at the Beginning of the Year	67,621,745	24,830,989
Cash Balance at end of the year	105,948,430	67,621,745

The notes on pages 10 to 30 are an integral part of these financial statements.



Ato Getachew Worku
Board Chair Person



Ato Tezera Kebede
Chief Executive Officer



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. Nature of operations and summary of significant accounting policies

Reporting Entity

PEACE Micro-Finance Share Company has been formally established on November 1999 in line with the provision of the licensing and supervision of Micro-Finance Institution Proclamation No40/1999 and now amended by Proclamation No 626/2009 with the objection of granting credit in cash or in-kind to active borrower, accepting saving as well as demand and time deposit and other business-related activities. The company is currently operating in 30 branches in Oromia, Amhara, SNNP, Sidama and Addis Ababa City Administration.

Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB). This is the third time that the Company has prepared its financial statements in accordance with IFRS, Details of how the financial position, financial performance and cash flows are disclosed in Note 1.27.

These financial statements were prepared under the historical cost convention.

The Company's functional and presentation currency is the Ethiopian Birr. The financial statements are presented in Ethiopian Birr.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. 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 1.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at call with banks, other short-terms highly liquid investments with original maturities of three months or less. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

Inventories

Inventories, comprising finished goods and work in process awaiting further processing and sale, are valued initially at cost and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Raw materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Cost is determined using the weighted average cost method and includes direct manufacturing expenditures and an appropriate portion of normal manufacturing overhead expenditure. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving inventories are identified and written down to net realizable values.

Property, Plant and Equipment

I. Recognition and Measurement

Property, plant and equipment is initially recorded at cost being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs.

Property, plant and equipment is subsequently measured at Cost less accumulated depreciation, less any accumulated impairment (losses).

Where an item of property, plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment .

II. Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

III. Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

IV. Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within gain or loss from disposal of equipment in profit or loss.

V. Depreciation

Depreciation is recognized in net income and begins when the asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on a straight-line basis over the estimated useful life of the assets as follows:

Land and Building	50 Years
Computer and accessories	8 Years
Furniture	10 Years
Motor Cycle	10 Years
Generator	10 Years
Motor vehicle	20 Years
Equipment	10 Years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Intangible asset

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives is presented as a separate line item in the income statement.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Amortization of intangible asset is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives.

Intangible assets acquired in business combination are measured on initial recognition at the difference of fair value of asset and liabilities and the consideration paid.

Intangible assets with finite useful lives are considered for impairment when there is an indication that the asset has been impaired. Intangible assets with indefinite useful lives, and intangible assets not yet in use, are tested annually for impairment and whenever there is an indication of impairment.

Government Grant

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Impairment of Non-Financial Assets (excluding inventory)

Impairment tests on non-financial assets including property, plant and equipment and intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e., the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (CGU), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in the Statement of Comprehensive Income in general and administrative expenses.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Financial Instruments

I. Recognition and initial measurement

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A trade receivable without a significant financing component is initially measured at the transaction price.

II. Classification and subsequent measurement-Financial Assets

Financial asset of the company is classified as measured at amortized cost.

A financial asset is measured at amortized cost since it is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

III. Classification and subsequent measurement-Financial Liabilities

Financial liabilities are classified as measured at amortized cost. Financial liabilities of the company are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

IV. Derecognition-Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

V. Derecognition-Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

VI. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

VII. Impairment

The Company recognizes loss allowances for Expected Credit Losses (ECL) financial assets measured at amortized cost.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

VIII. Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets.

For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Revenue from contracts with customers

The company recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The company recognizes a contract liability for amounts received as advance collection from customers until it discharges its performance obligation. The performance obligation of the company is transferring of goods to customers and rendering of services.

Employee benefits

I. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

III. Defined benefit plans

The severance payment due to employees are considered by the company to be defined benefit plan. The Company's obligation is calculated by multiplying the basic salary of employees by the number of years served by each employee where an employee earn one month salary for the first year of service and one third salary for each additional year of service.

Re-measurements of the obligation is done each year at the reporting date and additional obligations are recognized as an expense.

IV. Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in profit or loss in the period in which they arise.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

V. Termination benefits

Termination benefits are expensed when the Company incurs cost in relation to termination and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Critical Accounting Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgments

In applying IAS 16 for the recognition of property, plant and equipment, management applies judgment to determine aggregation of assets. The Standard does not prescribe the unit of measure for recognition, or what constitutes an item of property, plant and equipment. Thus, judgment is required in applying the recognition criteria to the Company's specific circumstances. The Company aggregates individually insignificant items, such as molds, tools and dies. Management has determined that there are no significant components to property, plant, and equipment that should be segregated.

I. Impairment

An impairment loss is recognized for the amount by which an asset or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, and interest rate risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

b. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. Management assesses the credit risk of new customers before entering contracts. Purchase limits are established for each customer based on the credit risk assessment.

Management determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis.

c. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

d. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its loans borrowed from banks mainly when there is a major increase in interest rate. The Company monitors its exposure to interest rates annually.

e. Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. A significant change in the currency exchange rates between the U.S. dollar (or other major foreign currencies) relative to the ETB could have an effect on the Company's results of operations, financial position and cash flows.



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. Interest income

Interest on loans to customers
 Interest on loans to staff
 Interest on deposits due from banks

<u>30 June 2021</u> Birr	<u>30 June 2020</u> Birr
70,441,522	59,231,894
328,809	327,707
2,744,174	932,388
<u>73,514,505</u>	<u>60,491,990</u>

3. Interest expense

Interest on Saving deposits
 Interest on Provident Fund
 Interest on Lease liability
 Interest on Loan -Enat Bank
 Interest on Loan DBE
 Interest on Loan CBO
 Interest on Loan OIB
 Interest on Loan UNCDF

<u>30 June 2021</u> Birr	<u>30 June 2020</u> Birr
8,712,675	7,192,409
683,587	541,098
151,806	162,185
49,743	210,125
7,965,112	2,489,439
1,475,796	161,096
2,453,223	2,275,191
1,086,644	-
<u>22,578,586</u>	<u>13,031,542</u>

4. Net fees and commission income

M-Birr Commission Fee
 Application Fee
 Sales of Pass books
 Penalty on late payment of loans
 Write back of impaired loans
 Income from Insurance
 Investment income
 Other income

<u>30 June 2021</u> Birr	<u>30 June 2020</u> Birr
5,744	5,884
10,740,741	9,007,644
68,535	70,555
3,698,397	1,465,786
850,546	212,189
4,175,074	4,546,043
43,633	67,367
442,825	513,608
<u>20,025,497</u>	<u>15,889,074</u>

5. Other income

Amortization of Government grant

<u>30 June 2021</u> Birr	<u>30 June 2020</u> Birr
1,224,194	498,270
-	-
<u>1,224,194</u>	<u>498,270</u>

6. Loan impairment charge

Loan impairment charge

<u>30 June 2021</u> Birr	<u>30 June 2020</u> Birr
6,092,923.62	6,297,253



**PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	Birr	Birr
7. Personnel expenses		
Short term employee benefits :		
Salaries	26,930,692	20,548,007
Provident Fund	2,005,923	1,556,737
Pension Fund Expense	2,080,095	1,526,684
Benefit- Medical	1,220,852	577,049
uniform	212,509	128,045
Bonus	330,629	1,062,776
Severance Pay	130,122	135,115
Unused Annual Leave	179,294	51,068
Transportation	3,240,830	2,542,606
Representation Allowance	930,320	635,098
House Allowance	1,142,117	-
Activity Allowance	1,500	26,254
Cash Indemnity Allowance	303,163	158,804
Staff Loan Market Interest Rate Adjustment	-	87,557
Leave	1,105,971	269,793
	39,814,018	29,305,593
Long term employee benefits :		
Defined benefit plans-Severance	1,705,395	1,269,385
	41,519,413	30,574,978
8. Other operating expenses		
Travel and perdim	1,241,953	761,029
Training	184,203	435,794
Office supplies	1,586,245	2,043,139
Communication	985,250	1,097,763
Audit fees	98,814	71,375
Office rent	2,038,605	926,498
Utilities and maintenance	287,780	188,526
Car rent and fuel	544,283	372,554
Insurance	740,847	653,658
Depreciation	1,871,227	1,523,001
Amortization of right of use asset	2,021,621	2,155,968
Marketing and promotion	88,024	82,620
Board Transport fee	295,570	245,290
Micro loan insurance expense	684,503	869,809
Sundry	245,298	58,935
Staff annual meeting	318,050	187,065
Legal advisor fee	1,259,485	290,907
Bank charge	150,258	160,394
Membership fee	35,452	99,068
License and Manicipality	25,714	49,935
Consultancy	172,500	138,000
Other expense	535,369	1,155,783
	15,411,051	13,567,110



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>Birr</u>	<u>Birr</u>
9. Loans and advances		
9a. Loans and advances to customers		
Agri Loan	185,672,664	209,071,375
Non Agri Loan	178,113,494	88,197,892
Staff loan	6,284,725	3,932,447
Gross amount	370,070,882	301,201,714
9b. Less: Impairment allowance (note 9e)		
12 Months Expected credit Loss(ECL)	13,015,535	11,482,195
Life Time Expected credit Loss(ECL)	-	-
	357,055,347	289,719,519
Less :		
Staff Loan Market Interest Adjustment	949,009	650,499
9c. Net Loan Balance	356,106,338	289,069,020
9d. Maturity analysis		
	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>Birr</u>	<u>Birr</u>
Current	346,851,361	284,382,033
Non-Current	9,254,977	4,686,986
	356,106,338	289,069,020

9e. Impairment allowance for loans and advances

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

<i>Life time Expected Credit loss</i>	<u>As at 1 July 2020</u>	<u>Charge for the year</u>	<u>As at 30 June 2021</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Agri	8,861,610	(1,050,566)	7,811,043
Non-Agri	2,620,586	2,583,906	5,204,492
Loan Receivable from writeoff	-	-	-
Total - Impairment	11,482,195	1,533,340	13,015,535
Total - Impairment		6,092,924	

Loan impairment in statement of profit or loss includes write off of Birr 4,559,584.

Loan impairment charge

Loan write off

Impairment charge in SPL

1,533,340

4,559,584

6,092,924



**PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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	30 June 2021	30 June 2020
	Birr	Birr
10. Financial investment		
BOND	50,000	-
Eth Swich S.C	701,000	-
ET inclusive Finance	2,617,000	900,000
Equity Investments(Addis International Bank)	369,000	325,367
	<u>3,737,000</u>	<u>1,225,367</u>
Less:		
Impairment allowance- Equity Investment	-	-
Net Equity Investments	<u>3,737,000</u>	<u>1,225,367</u>

Maturity analysis

	30 June 2021	30 June 2020
	Birr	Birr
Current	3,737,000	1,225,367
Non-Current	-	-
	<u>3,737,000</u>	<u>1,225,367</u>

11. Other assets

Financial assets

Other Receivables

Non-financial assets

Prepayments

Other receivable

Prepaid Staff Benefits

Gross amount

Net amount

Maturity analysis

Current

Non-Current

	30 June 2021	30 June 2020
	Birr	Birr
Financial assets	-	-
Other Receivables	-	-
Prepayments	1,824,407	669,485
Other receivable	78,551	100,889
Prepaid Staff Benefits	653,756	369,177
	<u>2,556,714</u>	<u>1,139,551</u>
<i>Gross amount</i>	2,556,714	1,139,551
<i>Net amount</i>	<u>2,556,714</u>	<u>1,139,551</u>
<i>Maturity analysis</i>		
Current	2,556,714	1,139,551
Non-Current	-	-
	<u>2,556,714</u>	<u>1,139,551</u>

12. Inventory

A breakdown of the items included within inventory is as follows:

Stocks of Printing Materials

	30 June 2021	30 June 2020
	Birr	Birr
Stocks of Printing Materials	329,959	383,770
	<u>329,959</u>	<u>388,771</u>





**PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

13. Property, Plant and Equipment

	Buildings		Computer and accessories		Furniture and Fixture		Generator		Land		Motor Vehicle		Other Equipment		Vehicle		Total		
	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	
Cost:																			
As at 30 July 1 2019	1657481.29	2136741.27	1677506.37	188831.29	898037.5	1803434.71	93379.08	4753967.11	13,209,379										
Additions	-	873,524.00	444,628.67	182,100.00	-	181,791.93	-	215,965.80	1,898,010										
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2020	1,657,481	3,010,265	2,122,135	370,931	898,038	1,985,227	93,379	4,969,933	15,107,389										
As at 1 July 2020	1,657,481	3,010,265	2,122,135	370,931	898,038	1,985,227	93,379	4,969,933	15,107,389										
Additions	-	1,604,478.00	262,732.42	287,000.00	-	320,000	-	2,354,950.00	4,829,160										
Disposals	(139,013)	-	-	-	(75,000)	-	-	-	(214,013)										
Reclassification																			
As at 30 June 2021	1,518,468	4,614,743	2,384,867	657,931	823,038	2,305,227	93,379	7,324,883	19,722,536										
Depreciation																			
As at 1 July 2019	4,695.09	1,173,998.21	702,544.04	46,802.33	-	515,284.72	67,822.31	936,278.03	4,147,425										
Charge for the year	312.88	250,630.33	137,184.49	40,482.98	-	261,033.41	5,949.24	474,407.35	1,523,001										
Impairment Loss	-	-	-	-	-	-	-	-	-										
Disposals	-	-	-	-	-	-	-	-	-										
As at 30 June 2020	1,058,008	1,424,629	839,729	87,285	-	776,318	73,772	1,410,685	5,670,425										
As at 1 July 2020	1,058,008	1,424,629	839,729	87,285	-	776,318	73,772	1,410,685	5,670,425										
Charge for the year	325,422.37	426,463.35	156,738.74	73,028.86	-	252,948.76	5,769.26	630,856.03	1,871,227										
Impairment Loss	-	-	-	-	-	-	-	-	-										
Disposals	(79,310)	-	-	-	-	-	-	-	(79,310)										
As at 30 June 2021	1,304,121	1,851,092	996,467	160,314	-	1,029,267	79,541	2,041,541	7,462,343										
Net book value																			
As at 1 July 2020	599,473	1,585,637	1,282,407	283,646	898,038	1,208,909	19,608	3,559,248	9,436,964										
As at 30 June 2021	214,348	2,763,651	1,388,400	497,617	823,038	1,275,960	13,838	5,283,342	12,260,193										



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	Finance lease Birr	Warehouse Birr	Others Birr	Total Birr
14. Right of use asset				
Cost:				
As at 1 July 2019	5,698,611	-	-	5,698,611
Additions	1,760,394	-	-	1,760,394
As at 30 June 2020	7,459,005	-	-	7,459,005
As at 1 July 2020	7,459,005	-	-	7,459,005
Additions	1,830,580	-	-	1,830,580
As at 30 June 2021	9,289,584	-	-	9,289,584
Amortization of right of use asset				
As at 1 July 2019	2,286,042	-	-	2,286,042
Charge for the year	2,155,968	-	-	2,155,968
Impairment Loss	-	-	-	-
As at 30 June 2020	4,442,010	-	-	4,442,010
As at 1 July 2020	4,442,010	-	-	4,442,010
Charge for the year	2,021,621	-	-	2,021,621
Impairment Loss	-	-	-	-
As at 30 June 2021	6,463,631	-	-	6,463,631
Net book value				
As at 30 July 2019	3,412,569	-	-	3,412,569
As at 30 June 2020	3,016,995	-	-	3,016,995
As at 30 June 2021	2,825,954	-	-	2,825,954

15. Cash and Cash Equivalents

	2021 Birr	2020 Birr
Cash and balances with banks		
Cash at Bank-Current	25,361,066	37,084,969
Cash at Bank-Saving	77,738,038	26,881,993
Cash on Hand	2,849,327	3,654,783
	105,948,430	67,621,745

Maturity analysis

Current
Non-Current

	2021 Birr	2020 Birr
Current	105,948,430	67,621,745
Non-Current	-	-
	105,948,430	67,621,745



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021	30 June 2020
	Birr	Birr
16. Paid up capital		
Shares of Birr 1,000 each	<u>30,324,000</u>	<u>30,324,000</u>

As at 30 June 2020, the paid up capital of the Company comprised of 30,324 shares with a par value of Birr 1000. The issued shares as at 30 June 2021 are 30,324 and they are fully paid.

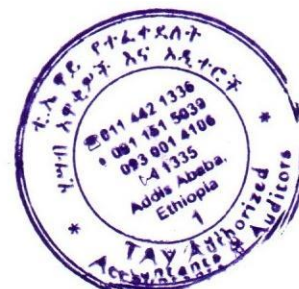
	30 June 2021	30 June 2020
	Birr	Birr
17. Retained earnings		
At the beginning of the year	36,086,052	21,697,366
Prior period adjustment	(1,080,568)	(1,774)
Profit / (loss) for the year	9,162,222	13,408,451
Transfer from revaluation reserve	1,069,197	1,069,197
Transfer to legal Reserve	-	(87,189)
At the end of the year	<u>45,236,903</u>	<u>36,086,052</u>

	30 June 2021	30 June 2020
	Birr	Birr
18. Revaluation Reserve		
At the beginning of the year	5,569,983	6,639,180
Addition	-	-
Transfer to retained earning	(1,069,197)	(1,069,197)
At the end of the year	<u>4,500,786</u>	<u>5,569,983</u>



	30 June 2021	30 June 2020
	Birr	Birr
19. Legal reserve		
At the beginning of the year	6,064,800	5,977,611
Addition	-	87,189
At the end of the year	<u>6,064,800</u>	<u>6,064,800</u>

It is stated in the Company's article of association article 19 that PEACE Micro Finance should maintain 10% of its annual profit as legal reserve until the reserve reaches 20% of the paid-up capital which is Birr 6,064,800.00 as at 30 June 2021. The total of the yearly profit until 30 June 2019 had been Birr 59,776,114.43 hence the legal reserve that should have been maintained till 30 June 2019 was Birr 5,977,611.44. The equivalent balance has been transferred from retained earnings to legal reserve as opening balance of accounting period ended on 30 June 2020 and the remaining balance Birr 87,188.56 has been reclassified from retained earnings of the accounting year ended on 30 June 2020.



**PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021 Birr	30 June 2020 Birr
20. Donated equity		
At the beginning of the year	17,940,404	17,918,569
Addition	121,541	21,836
Donated Equity - AECF	7,654,216	-
	-	-
At the end of the year	25,716,162	17,940,404

	30 June 2021 Birr	30 June 2020 Birr
21. Loans		
Bank loans		
Enat Bank	-	1,236,988
DBE (RUFIP-Loan)	160,808,116	90,214,685
ONRS-BoFED Revolving Fund Transferred from ABRDP	3,825,571	3,825,571
Oromia International Bank	20,402,678	15,367,268
Coopertative Bank Of Oromia	8,638,495	10,161,096
Loan Payable- UNCDF	9,988,014	-
	203,662,874	120,805,607

Maturity analysis

Current
Non-Current



	30 June 2021 Birr	30 June 2020 Birr
Current	-	-
Non-Current	203,662,874	120,805,607
	203,662,874	120,805,607

22. Deferred income

DBE (RUFIP-Loan) at below Market rate
Donation(UNCDF and DBE)
ASE HOS
Unearned Credit Insurance
Deferred Revenue CARE
Deferred income-AECF



	30 June 2021 Birr	30 June 2020 Birr
DBE (RUFIP-Loan) at below Market rate	5,275,413.78	3,883,490
Donation(UNCDF and DBE)	2,499,617	2,521,453
ASE HOS	816,000	302,600
Unearned Credit Insurance	2,628,180	2,912,189
Deferred Revenue CARE	528,073	-
Deferred income-AECF	-	2,434,530
	11,747,284	12,054,262

Maturity analysis

Current
Non-Current

	30 June 2021 Birr	30 June 2020 Birr
Current	2,628,180	2,912,189
Non-Current	9,119,104	9,142,073
	11,747,284	12,054,262



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

23. Client saving deposit

	30 June 2021	30 June 2020
	Birr	Birr
Regular Saving	28,882,372	27,196,318
Mandatory Saving	50,845,971	42,416,727
Voluntary Saving	49,158,488	52,108,108
M-BIRR Deposit Account	143,451	116,625
	<u>129,030,281</u>	<u>121,837,778</u>

Maturity analysis

	30 June 2021	30 June 2020
	Birr	Birr
Current	129,030,281	121,837,778
Non-Current	-	-
	<u>129,030,281</u>	<u>121,837,778</u>

24. Other payables

	30 June 2021	30 June 2020
	Birr	Birr
Pension Fund Payable 18%	88,077	62,473
ASE Thrift Payable	57,184	-
Association of PEACE MFI HQ Staff	643	598
Provident Fund Payable	10,009,418	8,128,268
Payroll Tax	243,043	161,162
Interest Tax	232,551	207,602
2 % Withholding Tax	5,770	16,311
Other payable	388	-
Accrued Rent Payable	264,332	-
Accrued Audit Fee	86,250	53,188
Accrued Payable	89,115	48,672
	<u>11,076,772</u>	<u>8,678,273</u>



Maturity analysis

	30 June 2021	30 June 2020
	Birr	Birr
Current	1,067,354	550,006
Non-Current	10,009,418	8,128,268
	<u>11,076,772</u>	<u>8,678,273</u>



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

25. Employee benefits	30 June 2021	30 June 2020
	Birr	Birr
Accrued leave	3,193,344	2,087,373
Post employment benefit (Severance)	6,705,196	4,999,801
	<u>9,898,540</u>	<u>7,087,174</u>

Maturity analysis	30 June 2021	30 June 2020
	Birr	Birr
Current	3,193,344	2,087,373
Non-Current	6,705,196	4,999,801
	<u>9,898,540</u>	<u>7,087,174</u>

26. Finance lease liabilities - PEACE as a lessee

The company has the following lease hold lands with lease agreement signed with regional government

	30 June 2021	30 June 2020
	Birr	Birr
Lease obligation Bigning	5,450,078	4,168,526
Addition	1,564,910.17	1,739,394
Interest expense	151,806.48	162,185
Lease repayment made	(660,606.67)	(620,026)
	<u>6,506,188</u>	<u>5,450,078.57</u>

Maturity analysis	30 June 2021	30 June 2020
	Birr	Birr
Current	-	-
Non-Current	6,506,188	5,450,079
	<u>6,506,188</u>	<u>5,450,079</u>



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

27. Deferred income-transferred to donated equity

	30 June 2021	30 June 2020
	Birr	Birr
Deferred income	121,541	21,836
	121,541	21,836

This balance represents deprecation of donated fixed assets recognized as income as per IAS 20: Government Grants requirements and transferred to donated equity.

28. Events after reporting date

PEACE Micro Finance S.CO Haik branch has been under control of TPLF since October 16, 2021. The Branch's major loan outstanding balance as of June 30, 2021 was birr 3,308,916.67 and disbursement from July 1, 2021 to October 16, 2021 was birr 294,000.00 and the book value of property, plant and equipment as at the balance sheet date was Birr 206,647.63. Company's major asset at Haik branch were partly or completely damaged or looted because of the political unrest in the area where the branch has been operating. The company is not expected to recover the full amount of the outstanding loan balance of Birr 3,602,916.67 as at the reporting date as the day-to-day life of our borrowers are adversely affected by the crisis.



**PEACE MFI S.CO
RECOVERY RATE**

FOR THE YEAR ENDED JUNE 30, 2021

**Repayment Rate
Jul 2020 to Jun 2021**

a)	Loan Outstanding June 30, 2020	297,269,267
b)	Disbursement (July 2020-June 2021)	358,102,980
c)	Loan Outstanding (June 30, 2021)	(363,786,158)
d)	Write-off (July 2020-June 2021)	<u>(4,559,584)</u>
e)	Total collection	287,026,506
f)	Prepayment (June 2021)	2,113,690
g)	Principal past due-arrears	<u>13,015,535</u>
h)	Total principal due	<u>297,928,351</u>
	Recovery Rate	<u>96%</u>

Recovery Rate = (Total principal collected - prepayment) / Amount due (Total repayment - Prepayment + Overdue)

=	287,026,506	-	2,113,690	
	<u>287,026,506</u>	-	2,113,690 +	<u>13,015,535.27</u>
=	<u>284,912,815</u>			
	297,928,351			
=	<u>96%</u>			

