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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 2022

TAY

Authorized Accountants & Auditors

Addis Ababa, Ethiopia

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PEACE MICRO FINANCE SHARE COMPANY
FOR THE YEAR ENDED 30 JUNE 2022

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PEACE MICRO FINANCE SHARE COMPANY
DIRECTORES, PROFESSIONAL ADVISERS AND REGISTERED OFFICE
FOR THE YEAR ENDED 30 JUNE 2022

PEACE Micro-Finance S. C

Boards of Directors, Senior Management and registered office
 As at 30 June 2022

Company registration number

LD/AA/2/0003970/2010

Board of Directors

1. Ato Getachew Worku	Chair Person	Appointment on Dec. 2020
2. Ato Mammo Kebbede Shenkut	Member	Appointment on Dec. 2020
3. Dr .Assefa Woldegiorgies	Member	Appointment on Dec. 2020
4. W/ro Alemnesh H/Mariam	Member	Appointment on Dec. 2020
5. Ato Mesfin Tefera	Member	Appointment on Dec. 2020
6. Agri Service Ethiopia representative (W/ro Aynalem Asheber)	Member	Appointment on Dec. 2020

Senior Management

1. Ato Tezera Kebede	Chief Executive Officer	Appointment on Mar 2000
2. Ato Feleke Borge	Deputy Chief Executive Officer	Appointment on Feb 2019
3. W/t Netsanet Kassa	Finance Department Manager	Appointment on Jan 2020
4. Ato Mesfin Alemayou	Credit Department Manager	Appointment on Jan 2021
5. W/ro Zinash Tefera	Saving Department Manager	Appointment on Jan 2021
6. Ato Bedada Tesfaye	HR Manager	Appointment on Jan 2019
7. 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 Addis Ababa, Sub City Kirkos Woreda 03, House No. 198
 Tel. 0116-521541, 0115-571922/23/24
 Fax 0115 571926, P. O. Box 5743

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
- Bank 12: Debube Global 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 2022, 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 2022 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 Accounts (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

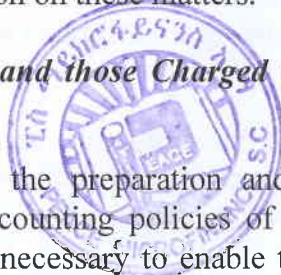
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we 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.

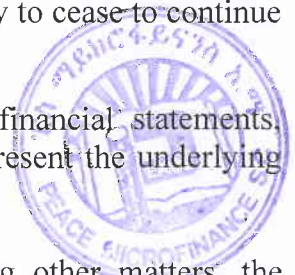
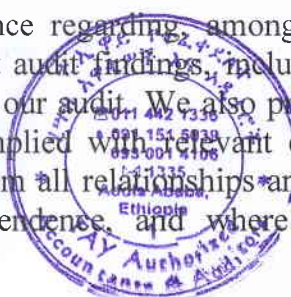
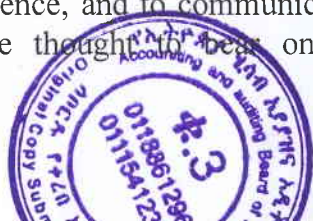
Auditor's Responsibility for the Audit of the Financial Statements

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 reasonably be thought to bear on our independence, and where applicable, related safeguards.



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



Addis Ababa
28 November 2022



PEACE MICRO FINANCE SHARE COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		30 June 2022	30 June 2021
ASSETS			
	Notes		
Property, Plant and Equipment	13	59,436,841	12,260,193
Right of use assets	14	1,110,440	2,825,954
Financial investments	10	4,904,000	3,737,000
Loans and advances to customers and staffs	9	23,544,550	9,254,977
Non-current assets		<u>88,995,831</u>	<u>28,078,123</u>
Inventory	12	236,264	329,959
Loans and advances to customers and staffs	9	506,817,925	346,851,362
Other Assets	11	2,841,207	2,556,714
Cash and cash equivalents	15	83,744,463	105,948,430
Current assets		<u>593,639,859</u>	<u>455,686,466</u>
Total assets		<u>682,635,690</u>	<u>483,764,589</u>
EQUITY			
Paid up capital	16	30,324,000	30,324,000
Retained earning	17	66,750,719	45,236,903
Revaluation reserve	18	3,591,680	4,500,786
Legal Reserve	19	6,064,800	6,064,800
Donated Equity	20	31,748,920	25,716,161
Total equity		<u>138,480,119</u>	<u>111,842,650</u>
LIABILITIES			
Loans and borrowings	21	336,935,635	199,837,303
Deferred income	22	8,516,921	9,119,104
Other payable	24	6,107,236	10,009,418
Employee benefits	25	7,950,529	6,705,196
Finance lease liabilities	26	5,152,952	6,506,188
Revolving Fund	28	3,825,571	3,825,571
Non current liabilities		<u>368,488,845</u>	<u>236,002,780</u>
Deferred income	22	2,868,673	2,628,180
Client saving Deposit	23	168,196,531	129,030,281
Other payable	24	1,011,214	1,067,354
Employee benefits	25	3,590,308	3,193,344
Total Current liabilities		<u>175,666,726</u>	<u>135,919,159</u>
Total Liabilities		<u>544,155,571</u>	<u>371,921,939</u>
Total equity and liabilities		<u>682,635,690</u>	<u>483,764,589</u>



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PEACE MICRO FINANCE SHARE COMPANY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30 June 2022	30 June 2021
Interest income	2	100,223,871	73,514,505
Interest expense	3	(38,909,975)	(22,578,586)
Net interest income		61,313,896	50,935,918
Fee and commission income	4	34,706,502	20,025,497
Net fees and commission income		34,706,502	20,025,497
Other operating income	5	1,447,981	1,224,194
Total operating income		97,468,379	72,185,610
Loan impairment charges	6 & 9e	(3,916,277)	(6,092,924)
Net operating income		93,552,102	66,092,686
Personnel expenses	7	(52,697,602)	(41,519,413)
Other operating expenses	8	(19,703,395)	(15,411,051)
Total operating expenses		(72,400,997)	(56,930,464)
Profit before tax		<u>21,151,105</u>	<u>9,162,222</u>
Profit after tax		<u>21,151,105</u>	<u>9,162,222</u>
Total comprehensive income for the year		<u>21,151,105</u>	<u>9,162,222</u>

The notes are an integral part of these financial statements

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 Tezera Kebede
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 Chief Executive Officer (CEO)



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PEACE MICRO FINANCE SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	<u>Paid up capital</u> <u>Birr</u>	<u>Retained earnings</u> <u>Birr</u>	<u>Legal reserves</u> <u>Birr</u>	<u>Revaluatio</u> <u>Birr</u>	<u>Donated equity</u> <u>Birr</u>	<u>Total</u> <u>Birr</u>
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
Deferred income:	-	-	-	-	7,775,758	7,775,758
Prior year adjustment	-	(1,080,568)	-	-	-	(1,080,568)
Transfer from revaluation reserve to retained earning	-	1,069,197	-	(1,069,197)	-	-
Total comprehensive income for the period	30,324,000	45,236,902	6,064,800	4,500,786	25,716,162	111,842,650
As at 30 June 2021	<u>30,324,000</u>	<u>45,236,902</u>	<u>6,064,800</u>	<u>4,500,786</u>	<u>25,716,162</u>	<u>111,842,650</u>
As at 1 July 2021	30,324,000	45,236,902	6,064,800	4,500,786	25,716,162	111,842,650
Profit for the period	-	21,151,105	-	-	-	21,151,105
Increase share capital	-	-	-	-	-	-
Deferred income	-	-	-	-	6,032,758	6,032,758
Transfer from revaluation reserve to retained earning	-	909,106	-	(909,106)	-	-
Total comprehensive income for the period	-	22,060,211	-	(909,106)	6,032,757.95	27,183,863
Prior year adjustment	-	(546,394)	-	-	-	(546,394)
Total	-	21,513,817	-	(909,106)	6,032,758	26,637,469
As at 30 June 2022	<u>30,324,000</u>	<u>66,750,719</u>	<u>6,064,800</u>	<u>3,591,680</u>	<u>31,748,920</u>	<u>138,480,119</u>

The notes are an integral part of these financial statements



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Tezera Kebede
Chief Executive Officer (CEO)



PEACE MICRO FINANCE SHARE COMPANY
STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2022

	30 June 2022 Birr	30 June 2021 Birr
Cash flows from operating activities		
Profit before tax	21,151,105	9,162,222
Adjustment for:		
Amortisation of right of use asset	978,020	2,021,621
Depreciation of property, plant and equipment	1,284,665	1,791,918
Loan Adjustment	-	-
Other Adjustment	(546,394)	(1,080,568)
Cash Flow From Operation before Changes in Working Capital	22,867,396	11,895,192
Decrease (Increase) in Loans & Advances	(174,256,137)	(67,037,318)
Decrease (Increase) in Other Assets	(284,493)	(1,417,163)
Increase (Decrease) in Deposits	39,166,250	7,192,503
Increase (Decrease) in Other Liabilities	(4,030,949)	5,958,996
Decrease (Increase) Inventory	93,695	58,811
Cash Generated From Operation	(116,444,237)	(43,348,979)
Net Cash flow from Operating Activities		
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(48,461,315)	(4,615,147)
Investment in Shares	(1,167,000)	(2,511,633)
Additional investment in right of use asset	737,494	(1,830,580)
Net Cash flow from Investing Activities	(48,890,821)	(8,957,360)
Cash Flow From Financing Activities		
Donated income	6,032,758	7,775,757
Increase (Decrease) Borrowings	137,098,332	82,857,267
Net Cash flow from Financing Activities	143,131,090	90,633,024
Changes in Cash and Cash Equivalents	(22,203,969)	38,326,685
Cash and Cash Equivalent at the Beginning of the Year	105,948,430	67,621,745
Cash Balance at end of the year	83,744,463	105,948,430



The notes are an integral part of these financial statements

Tezera Kebede
Tezera Kebede
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Chief Executive Officer (CEO)



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**PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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 32 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 1-28.

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.

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.


Tezera Kebede
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Chief Executive Officer (CEO)



**PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

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 2022

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 2022**



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 2022**



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 2022**



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 2022**



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.



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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
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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
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In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

II. Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets including property, plant and equipment and intangible assets at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of the Property, Plant and Equipment and Intangibles useful lives are provided in Note 7 and Note 8 respectively.

III. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets is affected by price changes in different market segments.

IV. Financial Instruments

a. General objectives, policies, and processes

The Management of the company has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. Management receives reports from the Financial Officers through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.





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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
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2. Interest income

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

30 June 2022 Birr	30 June 2021 Birr
96,696,214	70,441,522
516,927	328,809
3,010,729	2,744,174
100,223,871	73,514,505

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 AWASH
 Interest on Loan CBO
 Interest on Loan OIB
 Interest on Loan UNCDF



30 June 2022 Birr	30 June 2021 Birr
9,080,723	8,712,675
763,217	683,587
-	151,806
-	49,743
13,969,684	7,965,112
4,163,273	
1,106,719	1,475,796
8,720,195	2,453,223
1,106,164	1,086,644
38,909,975	22,578,586

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



30 June 2022 Birr	30 June 2021 Birr
-	5,744
15,593,738	10,740,741
59,395	68,535
3,209,485	3,698,397
2,656,703	850,546
4,008,419	4,175,074
195,327	43,633
8,983,435	442,825
34,706,502	20,025,497

5. Other income

Amortization of Government grant
 Interest Income on lease liability

30 June 2022 Birr	30 June 2021 Birr
1,346,390	1,224,194
101,591	-
1,447,981	1,224,194

6. Loan impairment charge

Loan impairment charge



30 June 2022 Birr	30 June 2021 Birr
3,916,277.25	6,092,924

PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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	30 June 2022	30 June 2021
	Birr	Birr
7. Personnel expenses		
Short term employee benefits :		
Salaries	34,221,295	26,930,692
Provident Fund	2,184,135	2,005,923
Pension Fund Expense	2,980,488	2,080,095
Benefit- Medical	1,943,215	1,220,852
uniform	348,154	212,509
Bonus	373,373	330,629
Severance Pay	807,476	130,122
Unused Annual Leave	356,162	179,294
Transportation	4,321,770	3,240,830
Representation Allowance	1,121,994	930,320
House Allowance	2,488,400	1,142,117
Activity Allowance	7,000	1,500
Cash Indemnity Allowance	448,237	303,163
Staff Loan Market Interest Rate Adjustment	-	-
Leave	396,965	1,105,971
	51,998,663	39,814,018
Long term employee benefits :		
Defined benefit plans-Severance	698,939	1,705,395
	52,697,602	41,519,413
8. Other operating expenses		
Travel and perdim	2,055,043	1,241,953
Training	776,037	184,203
Office supplies	3,104,036	1,586,245
Communication	1,653,825	985,250
Audit fees	118,910	98,814
Office rent	1,745,723	2,038,605
Utilities and maintenance	377,017	287,780
Car rent and fuel	816,222	544,283
Insurance	939,637	740,847
Depreciation	2,091,941	1,871,227
Loss of fixed asset	125,897	-
Amortization of right of use asset	978,020	2,021,621
Marketing and promotion	242,147	88,024
Board Transport fee	258,806	295,570
Micro loan insurance expense	467,316	684,503
Sundry	8,510	245,298
Staff annual meeting	385,399	318,050
Legal advisor fee	1,388,852	1,259,485
Bank charge	791,046	150,258
Membership fee	455,143	35,452
License and Manicipality	33,620	25,714
Consultancy	107,500	172,500
Other expense	782,748	535,369
	19,703,395	15,411,051



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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	<u>30 June 2022</u>	<u>30 June 2021</u>
	<u>Birr</u>	<u>Birr</u>
9. Loans and advances		
9a. Loans and advances to customers		
Agri Loan	226,258,665	185,672,664
Non Agri Loan	307,285,198	178,113,494
Staff loan	5,060,487	6,284,725
Gross amount	538,604,351	370,070,882
9b. Less: Impairment allowance (note 9e)		
12 Months Expected credit Loss(ECL)	7,325,362	13,015,535
Life Time Expected credit Loss(ECL)	-	-
	531,278,989	357,055,347
Less :		
Staff Loan Market Interest Adjustment	916,515	949,009
9c. Net Loan Balance	530,362,474	356,106,338
9d. Maturity analysis		
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<u>Birr</u>	<u>Birr</u>
Current	506,817,924	346,851,361
Non-Current	23,544,550	9,254,977
	530,362,474	356,106,337



9e. Impairment allowance for loans and advances

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

	<u>As at 1 July</u>	<u>Charge for the</u>	<u>As at 30 June</u>
	<u>2021</u>	<u>year</u>	<u>2022</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
<i>Life time Expected Credit loss</i>			
Agri	7,811,043	(1,890,361)	5,920,682
Non-Agri	5,204,492	(3,799,813)	1,404,679
Loan Receivable from writeoff	-	-	-
Total - Impairment	13,015,535	(5,690,174)	7,325,361

Loan impairment in statement of profit or loss includes write off of Birr 1,773,896.75

Loan impairment charge

Loan write off	(5,690,174)
Impairment charge in SPL	1,773,897
	(3,916,277)



PEACE MICRO FINANCE SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
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10. Financial investment

	<u>30 June 2022</u> Birr	<u>30 June 2021</u> Birr
BOND	50,000	50,000
Eth Swich S.C	701,000	701,000
ET inclusive Finance	3,784,000	2,617,000
Equity Investments(Addis International Bank)	369,000	369,000
	<u>4,904,000</u>	<u>3,737,000</u>
Less:		
Impairment allowance- Equity Investment	-	-
Net Equity Investments	<u>4,904,000</u>	<u>3,737,000</u>

Maturity analysis

	<u>30 June 2022</u> Birr	<u>30 June 2021</u> Birr
Current	4,904,000	3,737,000
Non-Current	-	-
	<u>4,904,000</u>	<u>3,737,000</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



	<u>30 June 2022</u> Birr	<u>30 June 2021</u> Birr
	-	-
	-	-
	2,126,626	1,824,407
	213,160	78,551
	501,421	653,756
	<u>2,841,207</u>	<u>2,556,714</u>
Gross amount	2,841,207	2,556,714
Net amount	2,841,207	2,556,714
	<u>30 June 2022</u> Birr	<u>30 June 2021</u> Birr
Current	2,841,207	2,556,714
Non-Current	-	-
	<u>2,841,207</u>	<u>2,556,714</u>

12. Inventory

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

	<u>30 June 2022</u> Birr	<u>30 June 2021</u> Birr
Stocks of Printing Materials	236,264	329,959
	<u>236,264</u>	<u>329,960</u>

PEACE MICRO FINANCE SHARE COMPANY
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13. Property, Plant and Equipment

	Buildings		Computer and accessories		Furniture and Fixture		Generator		Land		Motor Vehicle		Other Equipment		Vehicle		Total		
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	
As at 30 July 1 2020	1,657,481.29	3,010,265.27	2,122,135.04	370,931.29	898,037.50	1,985,226.64	93,379.08	4,969,932.91	15,107,389										
Charge for the year	-	1,604,478.00	262,732.42	287,000.00	-	320,000.00	-	2,354,950.00	4,829,160										
Disposals	(139,013)	-	-	-	(75,000)	-	-	-	(214,013)										
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										
As at 1 July 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										
Additions	47,103,777	912,643.56	976,055	-	220,011.75	182,000	-	-	49,394,487										
Disposals	(787,918)	(47,854.00)	(10,225)	(25,000)	-	(62,176)	-	-	(933,172)										
Reclassification	-	28,400	(28,400)	-	-	-	-	-	-										
As at 30 June 2022	47,834,327	5,507,933	3,322,297	632,931	1,043,049	2,425,051	93,379	7,324,883	68,183,851										
Depreciation																			
As at 1 July 2020	1,058,007.97	1,424,628.54	839,728.53	87,285.31	-	776,318.13	73,771.55	1,410,685.38	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										
As at 1 July 2021	1,304,121	1,851,092	996,467	160,314	-	1,029,267	79,541	2,041,541	7,462,343										
Charge for the year	361,934.5	566,012	204,503	80,393	-	236,215	5,081	637,803	2,091,941										
Impairment Loss	-	-	-	-	-	-	-	-	-										
Disposals	(748,522)	(21,089)	(6,705)	(1,405)	-	(29,554)	-	-	(807,275)										
As at 30 June 2022	917,533	2,396,015	1,194,265	239,301	-	1,235,928	84,622	2,679,344	8,747,008										
Net book value																			
As at 1 July 2021	214,348	2,763,651	1,388,400	497,617	823,038	1,275,960	13,838	5,283,342	12,260,193										
As at 30 June 2022	46,916,794	3,111,918	2,128,032	393,630	1,043,049	1,189,123	8,757	4,645,539	59,436,841										



PEACE MICRO FINANCE SHARE COMPANY
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	Finance lease Birr	Warehouse Birr	Others Birr	Total Birr
14. Right of use asset				
Cost:				
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
As at 1 July 2021	9,289,584	-	-	9,289,584
Adjustment	(737,494)	-	-	(737,494)
As at 30 June 2022	8,552,091	-	-	8,552,091
Amortization of right of use asset				
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
As at 1 July 2021	6,463,631	-	-	6,463,631
Charge for the year	978,020	-	-	978,020
Impairment Loss	-	-	-	-
As at 30 June 2022	7,441,650	-	-	7,441,650
Net book value				
As at 30 July 2020	3,016,995	-	-	3,016,995
As at 30 June 2021	2,825,954	-	-	2,825,954
As at 30 June 2022	1,110,440	-	-	1,110,440

15. Cash and Cash Equivalents

	2022 Birr	2021 Birr
Cash and balances with banks		
Cash at Bank-Current	35,514,514	25,361,066
Cash at Bank-Saving	45,279,109	77,738,038
Cash on Hand	2,950,840	2,849,327
	83,744,463	105,948,430

Maturity analysis

	2022 Birr	2021 Birr
Current	83,744,463	105,948,430
Non-Current	-	-
	83,744,463	105,948,430



PEACE MICRO FINANCE SHARE COMPANY
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	30 June 2022	30 June 2021
20. Donated equity	Birr	Birr
At the beginning of the year	25,716,162	17,940,404
Addition	127,417	121,542
Donated Equity - AECF	5,905,341	7,654,216
	-	-
At the end of the year	<u>31,748,920</u>	<u>25,716,162</u>
21. Loans	Birr	Birr
Bank loans		
Awash Bank	35,900,540	-
DBE (RUFIP-Loan)	223,240,977	160,808,116
Oromia International Bank	62,575,503	20,402,678
Cooperative Bank Of Oromia	6,895,270	8,638,495
Loan Payable- UNCDF	8,323,345	9,988,014
	<u>336,935,635</u>	<u>199,837,303</u>
Maturity analysis	Birr	Birr
Current	-	-
Non-Current	336,935,635	199,837,303
	<u>336,935,635</u>	<u>199,837,303</u>
22. Deferred income	Birr	Birr
DBE (RUFIP-Loan) at below Market rate	4,727,214.8	5,275,414
Donation(UNCDF and DBE)	2,462,937.7	2,499,617
ASE HOS	816,000.0	816,000
Unearned Credit Insurance	2,868,673.4	2,628,180
Deferred Revenue CARE	510,768.9	528,073
	-	-
	<u>11,385,595</u>	<u>11,747,284</u>
Maturity analysis	Birr	Birr
Current	2,868,673	2,628,180
Non-Current	8,516,921	9,119,104
	<u>11,385,595</u>	<u>11,747,284</u>



PEACE MICRO FINANCE SHARE COMPANY
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23. Client saving Deposit

	30 June 2022	30 June 2021
	Birr	Birr
Regular Saving	32,789,913	28,882,372
Mandatory Saving	63,350,570	50,845,971
Voluntary Saving	71,908,254	49,158,488
M-BIRR Deposit Account	147,793	143,451
	<u>168,196,531</u>	<u>129,030,281</u>

Maturity analysis

	30 June 2022	30 June 2021
	Birr	Birr
Current	168,196,531	129,030,281
Non-Current	-	-
	<u>168,196,531</u>	<u>129,030,281</u>



24. Other payables

	30 June 2022	30 June 2021
	Birr	Birr
Pension Fund Payable 18%	177,938	88,077
ASE Thrift Payable	-	57,184
Association of PEACE MF HQ Staff	693	643
Provident Fund Payable	6,107,236	10,009,418
Payroll Tax	287,767	243,043
Interest Tax	263,332	232,551
2 % Withholding Tax	8,421	5,770
Other payable	3,372	388
Accrued Rent Payable	-	264,332
Accrued Audit Fee	109,250	86,250
Accrued Payable	160,441	89,115
	<u>7,118,449</u>	<u>11,076,772</u>



Maturity analysis

	30 June 2022	30 June 2021
	Birr	Birr
Current	1,011,214	1,067,354
Non-Current	6,107,236	10,009,418
	<u>7,118,449</u>	<u>11,076,772</u>



25. Employee benefits

	30 June 2022	30 June 2021
	Birr	Birr
Accrued leave	3,590,308	3,193,344
Post employment benefit (Severance)	7,950,529	6,705,196
	<u>11,540,838</u>	<u>9,898,540</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Maturity analysis	30 June 2022	30 June 2021
	Birr	Birr
Current	3,590,308	3,193,344
Non-Current	7,950,529	6,705,196
	<u>11,540,838</u>	<u>9,898,540</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 2022	30 June 2021
	Birr	Birr
Lease obligation Bigning	6,506,188	5,450,078
Addition/Adjustment	(1,293,256)	1,564,910
Interest income	-	151,806
Lease repayment made	(59,980)	(660,607)
	<u>5,152,952</u>	<u>6,506,187.99</u>



Maturity analysis	30 June 2022	30 June 2021
	Birr	Birr
Current	-	-
Non-Current	5,152,952	6,506,188
	<u>5,152,952</u>	<u>6,506,188</u>

27 Deferred income transfer to Donated equity

	30 June 2022	30 June 2021
	Birr	Birr
Deferred Income	127,417	121,541
	<u>127,417</u>	<u>121,541</u>



28. Revolving Fund

	30 June 2022	30 June 2021
	Birr	Birr
ONRS-BoFED Revolving Fund Transferred from ABRDP	3,825,571	3,825,571
	<u>3,825,571</u>	<u>3,825,571</u>

PEACE MF S.CO has found the revolving fund mentioned above from the former Ethio-Italy Development Co-operation Arsi Bale Rural Development Project later on the right of the fund is transferred to Oromia National Regional States Bureau of Finance Economic Development After ABRD-PCO Phased out.

PEACE MICRO FINANCE SHARE COMPANY
RECOVERY RATE
FOR THE YEAR ENDED 30 JUNE 2022

Repayment Rate	
Jul 2020 to Jun 2022	
a) Loan Outst June 30, 2021	363,786,157.91
b) Disbursement (July 2021-June 2022)	520,648,700.00
c) Loan Outst (June 30, 2022)	(533,547,853.34)
d) Write-off (July 2021-June 2022)	(1,773,000.00)
e) Total collection	349,114,004.57
f) Prepayment (June 2022)	4,675,166.81
g) Principal past due-arrears	9,794,245.61
h) Total principal due	354,233,083.37
Recovery Rate	<u>97%</u>

$$\begin{aligned}
 \text{Recovery Rate} &= (\text{Total principal collected} - \text{prepayment}) / \text{Amount due} (\text{Total repayment} - \text{Prepayment} + \text{Overdue}) \\
 &= \frac{349,114,004.57 - 4,675,166.81}{349,114,004.57 - 4,675,166.81 + 9,794,245.61} \\
 &= \frac{344,438,837.76}{354,233,083.37} \\
 &= \underline{\underline{97\%}}
 \end{aligned}$$

