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DYNAMIC MICROFINANCE INSTITUTION S. C.

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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICRO FINANCE INSTITUTION S. C.

AUDITORS' REPORT AND ACCOUNTS

JUNE 30, 2022

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Getachew Wakjira

ቻርተርድ ሰርቲፋይድ አካውንታንት (ዩ. ኬ.)

Chartered Certified Accountant (U.K.)

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DYNAMIC MICROFINANCE INSTITUTION S. C.

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GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
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Addis Ababa, Ethiopia

AUDITORS' REPORT TO THE
SHAREHOLDERS OF DYNAMIC MICROFINANCE INSTITUTION S.C.
ON THE ACCOUNTS OF DYNAMIC MICROFINANCE INSTITUTION S.C.

OPINION

We have audited the accompanying financial statements of Dynamic Microfinance Institution S.C which comprise statement financial position as at June 30, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to be communicated in our report.





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DYNAMIC MICROFINANCE INSTITUTION S. C.

RESPONSIBILITY OF MANAGEMENT'S AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have no comments to make on the reports of the Board of Directors of the company so far as it related to these financial statements and pursuant to Article 375 sub-article 2 of the Commercial Code of Ethiopia 2021 and we recommend approval of the financial statements.



Getachew Wakjira
GETACHEW WAKJIRA
CHARTERED CERTIFIED ACCOUNTANT (UK)
CERTIFIED AUDIT FIRM (ETH)

Addis Ababa
October 20, 2022





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Statements of Financial Position
As at June 30,2022

(Currency in Ethiopia Birr)

	Notes	30-Jun-2022	30-06-21
Cash and cash equivalents	9	75,518,204	24,483,992
Other assets and prepayments	10	8,673,767	5,166,760
Loans and advances to customers	11	216,804,779	123,791,836
Property, plant and equipment	12	64,503,606	45,075,563
Right of use Building	13	545,887	363,254
Investment in securities	14	7,205,709	5,632,713
Total assets		373,251,951	204,514,118
Deposit from customers	15	74,778,818	82,474,513
Borrowings	16	179,901,772	27,990,538
Current income tax liability	17	809,669	519,460.44
Other liabilities	17	8,806,723	3,141,360
Finance lease Obligation		1,002,130	806,435
Total liabilities		265,299,112	114,932,307
Share capital	18	96,302,000	75,431,000
Legal reserve	19	2,653,136	2,193,997
Retained earning	20	8,723,633	11,682,745
Other Reserve		274,070	274,069
Share Premium			
Total equity		107,952,839	89,581,812
Total liabilities and equity		373,251,951	204,514,119


Tesfaye Fente
Chairman - Board of Directors
October, 2022


Bewketu Alamrew
Chief Executive Officer (CEO)
October, 2022





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION S.C.
Statements of Profit or Loss and Other Comprehensive Income
For The Year Ended June 30,2022

(In Ethiopia Birr)

Income	Notes	<u>30-Jun-2022</u>	<u>30-Jun-2021</u>
Interest income	1	41,865,904	23,472,382
Interest expense	8	19,736,046	4,825,402
Net interest income before impairment		<u>22,129,857</u>	<u>18,646,981</u>
Loan impairment charge		(1,858,608)	-
Net interest income		<u>20,271,249</u>	<u>18,646,981</u>
Fees and commission income	2	9,216,910.94	4,744,650
Net fee and commission income		<u>9,216,911</u>	<u>4,744,650</u>
Other operating income	3	4,264,602	5,300,448
Net operating income		<u>33,752,762</u>	<u>28,692,078</u>
Expenses			
Salaries and other employee benefits	4	16,305,969	10,783,752
General and administrative expenses	5	7,167,360	4,626,205
Depreciation & amortization	6	1,079,110	944,304
Impairment on other assets	7	17,551	40,191
Total Expense		<u>24,569,991</u>	<u>16,394,452</u>
Profit before tax		9,182,771	12,297,626
Profit for the year after tax		9,182,771	12,297,626
Other comprehensive income		-	-
Total comprehensive income for the year		9,182,771	<u>12,297,626</u>

Tesfaye Fente

Chairman - Board of Directors

October, 2022

Bewketu Alamrew

Chief Executive Officer (CEO)

October, 2022






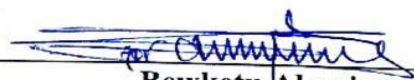
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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION S.C
Statements of Changes in Equity
For The Year Ended June 30,2022

(in Ethiopia Birr)	Share Capital	Retained Earning	Legal Reserve	General Reserve	Total
Balance as at 1 July 2020	60,000,000	8,061,774	1,579,116	274,070	69,914,960
Profit for the year	-	12,297,626	-	-	12,297,626
Increase in share capital	7,369,226	-	-	-	7,369,226
Increase of the share capital	8,061,774	(8,061,774)	-	-	-
Transfer to legal reserve	-	(614,881)	614,881	-	-
Balance 30 June 2021	75,431,000	11,682,745	2,193,997	274,070	89,581,812
Profit for the year	-	9,182,772	-	-	9,182,772
Increase in share capital	9,188,256	-	-	-	9,188,256
Increase of the share capital	11,682,745	(11,682,745)	-	-	-
Transfer to legal reserve	=	(459,139)	459,139	=	=
Balance 30 June 2022	<u>96,302,000</u>	<u>8,723,634</u>	<u>2,653,136</u>	<u>274,070</u>	<u>107,952,840</u>

The accompanying notes are an integral part of these financial statements.


Tesfaye Fente
Chairman - Board of Directors
October, 2022


Bewketu Alamirew
Chief Executive Officer (CEO)
October, 2022



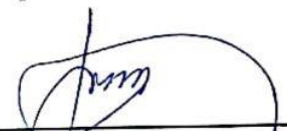



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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Statement of cash flows
At and for the year ended 30 June 2022

(Currency in Ethiopia Birr)

	<u>30 June 2022</u>	<u>30 June 2021</u>
Cash flows from operating activities		
Cash flows from operating activities	(86,702,449)	11,792,948
Net cash (outflow)/inflow from operating activities	(86,702,449)	11,792,948
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,613,644)	(41,261,112)
Right of use Building	(509,137)	(144,381)
Reclassification of property, plant and equipment	-	-
Purchases of investment securities	(1,572,997)	(2,109,038)
Net cash (outflow)/inflow from investing activities	(22,695,777)	(43,514,530)
Cash flows from financing activities		
Proceeds (settlement) from borrowings	151,911,234	23,180,215
Proceeds from issues of shares	8,469,889	7,369,226
Finance Lease Obligation	51,314	(300,986)
Net cash (outflow)/inflow from financing activities	160,621,863	30,248,454
Net increase/(decrease) in cash and cash equivalents	51,034,211	(1,473,128)
Cash and cash equivalents at the beginning	24,483,992	25,957,120
Cash and cash equivalents at the end	<u>75,518,202</u>	<u>24,483,992</u>


Tesfaye Fente
Chairman - Board of Directors
October, 2022


Bewketu Alamrew
Chief Executive Officer (CEO)
October, 2022





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

(Currency in Ethiopia Birr)

. Net Interest Income

Net interest income for the years ended 30 June 2022 and 30 June 2021 can be presented as follows:

Interest income is arising from:

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Loans to customers	40,763,397	23,083,549
Placements with banks	<u>1,102,506</u>	<u>388,832</u>
Total interest income	<u>41,865,904</u>	<u>23,472,382</u>

Fees and Commission

Net fee and commission for the years ended 30 June 2022 and 30 June 2021 can be presented as follows:

Fees and commission income	<u>30-06-22</u>	<u>30-06-21</u>
Service charge income	7,288,755	1,634,599
Income from Insurance	326,332	1,150,478
Income from Penalty	1,508,763	1,909,866
Income from Registration	93,060	49,705
Total fees and commission income	<u>9,216,911</u>	<u>4,744,649</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

3. Other operating income

Other operating income for the years ended 30 June 2022 and 30 June 2021 can be presented as follows:

Other operating income	<u>30-06-22</u>	<u>30-06-21</u>
Dividend income	572,996	181,948
Other income	3,691,605	5,118,499
Total other operating income	<u>4,264,602</u>	<u>5,300,447</u>

Salaries and other employee benefits
staff related expenses for the years ended June 30 2022 and June 30 2021 can be Presented as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Salary	12,659,239	9,059,219
Pension Cost-Defined contribution plan	1,378,409	896,168
Staff allowance	1,097,256	495,095
Leave expense	807,910	55,487
Bonus	-	94,133
Employees Benefit	149,723	92,318
Severance pay	<u>213,430</u>	<u>91,328</u>
Total salaries and other employee benefits	<u>16,305,969</u>	<u>10,783,751</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes To The Financial Statements
As At And For The Year Ended Sene 30,2022

5. General and Administrative Expenses

General and administrative expenses for the years ended June 30 2022 and June 30 2021 can be presented as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Rent expense	2,004,196	1,096,019
Perdiem & travel	258,511	169,527
Stationary and printing	908,274	366,512
Other allowances (Board)	936,000	693,600
Communication	506,480	316,442
Marketing and promotion	125,674	387,162
Insurance	126,802	210,346
Miscellaneous	64,120	44,780
Transportation	164,678	127,546
Fuel & lubricants	184,910	94,898
Entertainment	15,231	56,733
Donation	24,000	-
Maintenance & repair	199,726	238,973
Training	408,282	102,765
Wage	178,004	106,080
Cleaning and supplies	15,297	27,662
Professional fee	34,500	156,496
Service charge	192,418	84,218
Audit fee	84,100	56,500
Utilities	44,275	23,397
Membership fee	10,000	10,000
Other operating expense	672,155	235,494
License fee	<u>9,720</u>	<u>21,047</u>
Total General and Administrative expenses	<u>7,167,360</u>	<u>4,626,205</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes To The Financial Statements
For The Year Ended June 30,2022

Amortization expense on ROU-Building

Depreciation and Amortization expense for the years ended June 30 2022 and June 30 2021 can be presented as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Depreciation expense on PPE	752,606	444,375
Amortization expense on ROU-Building	326,503	499,928
Total depreciation expense	<u>1,079,110</u>	<u>944,304</u>

7 Impairment allowance on other assets

A reconciliation of the allowance for impairment losses for other assets is as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Balance at the beginning of the year	1,035,880	995,689
(Reversal)/charge for the year	<u>17,551</u>	<u>40,190</u>
Balance at the end of the year	<u>1,053,431</u>	<u>1,035,880</u>

Interest expense is arising from:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Interest expense on customer deposit	6,585,201	3,438,006
Interest expense on bank loan	<u>13,150,844</u>	<u>1,387,395</u>
	<u>19,736,046</u>	<u>4,825,401</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

Notes to the statement of cash flows

a) Cash used in operations

Reconciliation of profit before income tax to cash from operations

	30-Jun-22	30-Jun-21
Profit before tax	9,182,772	12,297,625
Adjustments for non-cash items:		
Depreciation of property and equipment	1,079,110.24	944,304
Depreciation reclassification		-
Loan impairment Charge	1,858,608	-
Impairment loss on other assets	17,551	40,190
Prior year adjustment	-	
Changes in operating assets and liabilities:		
-Decrease/ (Increase) in loans and advances	(93,012,942)	(4,415,167)
-Decrease/ (Increase) in other assets	(3,507,006)	(2,465,405)
-Increase/ (Decrease) in customer's deposit	(7,695,694)	5,358,102
-Increase/ (Decrease) in Tax Liability	(290,208)	
-Increase/ (Decrease) in other liabilities	5,665,362	937,989
	<u>(86,702,449)</u>	<u>12,697,639</u>

b) Cash and cash equivalents

	30-Jun-21	30-06-20
Cash in hand	80	6,605
Deposits with local banks	<u>75,518,123</u>	<u>25,950,513</u>
	<u>75,518,203</u>	<u>25,957,118</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

Other assets and prepayments

Other assets as at 30 June 2022 and 2021 can be presented as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Prepayment	1,761,644	651,649
Inventory	377,533	687,424
Prepaid asset - staff loan	2,577,281	254,846
Other receivables	5,010,737	4,608,722
Impairment allowance - other asset	<u>(1,053,431)</u>	<u>(1,035,880)</u>
Gross amount	8,673,766	5,166,759
Total other asset and Prepayment	<u>8,673,766</u>	<u>5,166,759</u>
	<u>30-Jun-22</u>	<u>30-06-2021</u>
Current portion	7,155,367	4,296,160
Noncurrent portion	<u>1,450,005</u>	<u>870,599</u>
Total financial assets	<u>8,605,372</u>	<u>5,166,759</u>

11 LOANS TO CUSTOMERS

Loan to customers as at 30 June 2022 and 2021 can be presented as follows:

	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Gross loans to customers		
Agriculture	12,948,887	3,688,060
Consumption	2,352,210	4,064,452
Trade	151,123,451	62,347,136
Housing	36,138,258	53,485,877
MSE	4,298,904	463,956
Wash Loan	1,370,425	-
MIS Loan	257,626	-
Special Loan	1,650,000	-
Vihecle	6,798,135	-
	-	-
Gross loans to customers	<u>216,937,895</u>	<u>124,049,481</u>
Net loans to customers	<u>216,804,779</u>	<u>123,791,836</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

The following table provide information on the credit quality of the loan portfolio:

Originated loans to customers according to the agreement	<u>30-Jun-22</u>	<u>30-Jun-21</u>
Current and less than 90 days overdue	211,677,456	118,660,785
90 to 180 days overdue	366,220	1,452,045
180 to 365 days overdue	3,678,951	1,397,311
above 365 days overdue	1,215,269	2,539,340
Balance at the end of the year	<u>216,937,895</u>	<u>124,049,481</u>
Less : allowance for impairment losses	133,116	257,645
Balance at the end of the year	<u>216,804,779</u>	<u>123,916,364</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

12 Property, Plant and Equipment

<u>Cost</u>	<u>Constructi on in progress</u>	<u>Motor Vehicles</u>	<u>Computer and Accessaries</u>	<u>Office Equipment & Furniture</u>	<u>Total</u>
As at 30 June 2020	-	2,734,863	1,219,659	1,029,049	4,983,572
As at 01 July 2020		2,734,863	1,219,659	1,029,049	4,983,572
Additions	40,591,604	-	1,284,453	200,958	42,077,015
As at 30 June 2021	40,591,604	2,734,863	2,504,113	1,230,007	47,060,587
Accumulated depreciation					
PPE As at 30 June 2021	40,591,604	2,293,739	2,137,819	868,306	45,891,467
PPE As at 30 June 2021	40,591,604	2,293,739	2,137,819	868,306	45,891,467
As at 01 July 2021	40,591,604	2,293,739	2,137,819	868,306	45,891,467
Additions	14,896,163	4,267,389	366,294	1,083,798	20,613,644
Reclassification					
As at 30 June 2022	55,487,767	6,561,128	2,504,113	1,952,103	66,505,111
Accumulated depreciation					
As at 01 July 2021	-	441,124	366,294	361,702	1,169,120
Charge for the year		342,471	329,745	160,169	832,385
Reclassification					
As at 30 June 2022	-	783,595	696,039	521,871	2,001,505
PPE As at 30 June 2022	55,487,767	5,777,533	1,808,073	1,430,232	64,503,606





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

ROU Building

	<u>30-Jun-22</u>	<u>30-06-21</u>
Cost:		
At the beginning of the year	2,720,932	2,576,551
Addition	<u>509,136</u>	<u>144,380</u>
At the end of the year	3,230,069	2,720,932
Accumulated depreciation:		
At the beginning of the year	2,357,678	1,857,749
Charge for the year	326,503	499,928
At the end of the year	<u>2,684,182</u>	<u>2,357,678</u>
Net book value	<u>545,887</u>	<u>363,254</u>

Investment

Investment as at 30 June 2021 and 30 June 2022 comprises the following:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Investment	7,205,709	5,632,712

A breakdown of the investments is as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
ET-Inclusive	2,943,485	1,827,000
Tsehay Insurance S.C.	2,883,137	2,493,812
Buna International Bank	379,086	311,900
Tsehay Bank	1,000,000	1,000,000
Total Investment	<u>7,205,709</u>	<u>5,632,712</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

Deposits from customers

Deposit from customers as at 30 June 2021 and 30 June 2022 comprises the following:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Voluntary Saving	44,086,583	24,066,960
Compulsory saving	12,478,747	10,054,608
Time Deposit	18,213,487	48,352,945
Total Deposit	<u>74,778,818</u>	<u>82,474,513</u>

16 Borrowings

During the budget year, Dynamic Microfinance Institution S.C. has obtained a 10 million birr from DBE with an interest rate of 8%, 80 million from Cooperative Bank of Oromia for five years, 25 million from Bank of Abissinia for five years and 50 million from Awash Bank for three years with 13% interest rate.

	<u>30-Jun-22</u>	<u>30-06-21</u>
Bunna International Bank	3,078,151	3,990,538
BDE	27,598,700	24,000,000
Loan From Banks (COB)-Commercial	74,109,921	-
Loan From Banks (BOA)- Commercial	25,115,000	-
Loan From Banks (Awash)- Commercial	50,000,000	-
Borrowings	<u>179,901,772</u>	<u>27,990,538</u>

Income tax & Other Liabilities

Other liabilities as at 30 June 2022 and 30 June 2021 comprises the following:

	<u>30-Jun-22</u>	<u>30-06-21</u>
Deferred service charge income	114,727	920,491
Accrued leave payable	926,768	551,900
Other Payables	7,404,144	1,389,490
Tax payable	809,669	519,460
Accrued severance Pay	361,084	279,480
Total Income tax & other liabilities	<u>9,616,392</u>	<u>3,660,821</u>





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DYNAMIC MICROFINANCE INSTITUTION S. C.

DYNAMIC MICROFINANCE INSTITUTION SHARE COMPANY
Notes to the financial Statement
At and for the year ended 30 June 2022

8 Share Capital

	<u>30-06-22</u>	<u>30-06-21</u>
Authorized:		
120,000 Ordinary shares of 1,000 Birr each	120,000,000	120,000,000
Issued and fully paid:	<u>96,302,000</u>	<u>75,431,000</u>

19 Reserve

Total legal reserve as at 30 June 2022 and 30 June 2021 is as follows:

	<u>30-Jun-22</u>	<u>30-06-21</u>
At the beginning of the year	2,193,997	1,579,116
Transfer from profit or loss	<u>459,139</u>	<u>614,881</u>
At the end of the year	<u>2,653,136</u>	<u>2,193,997</u>

20 Retained Earnings

	<u>30-Jun-22</u>	<u>30-06-21</u>
Total retained earnings as at 30 June 2022 and 30 June 2021 is as follows:		
At the beginning of the year	11,682,744	8,061,774
Profit for the year	9,182,772	12,297,626
Capitalized to paid-up capital	(11,682,744)	(8,061,774)
Transfer to legal reserve	<u>(459,138)</u>	<u>(614,881)</u>
At the end of the year	<u>8,723,633</u>	<u>11,682,744</u>

21 Earnings Per Share

Earnings per share for the year is computed by dividing the operating profit before legal reserves by simple average number of shares outstanding during the year.

	<u>30-Jun-22</u>	<u>30-06-21</u>
Profit for the year	9,182,772	12,297,625
Simple weighted average share	858,665	677,155
Earnings per share	10.70%	18%





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