

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

OF

BUUSAA GONOFAA MICRO FINANCING SHARE
COMPANY

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2008

TAY & Co.

Chartered Certified Accountants & Authorized Auditors

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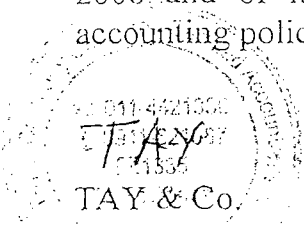
**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF BUUSAA
GONOFFAA MICRO FINANCING SHARE COMPANY**

We have audited the financial statements on page 2 to 17 of Buusaa Gonoffaa Micro Financing Share Company for the year ended 31 December 2008, which have been prepared under the historical cost convention and the accounting policies set out on page 5-7. The preparation of the financial statements is the responsibility of the management of Buusaa Gonoffaa Micro Financing Share Company. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of Buusaa Gonoffaa Micro Financing Share Company as at 31 December 2008, and of its operations for the year then ended in accordance with the accounting policy adopted by Buusaa Gonoffaa Micro Financing Share Company.


TAY & Co.
Chartered Certified Accountants &
Authorized Auditors

Addis Ababa
June 25, 2009

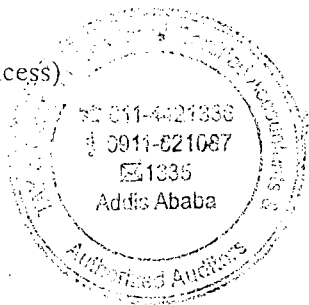
BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
BALANCE SHEET
AS AT 31 DECEMBER 2008

ASSETS	Notes	Birr	Birr	2007 Birr
FIXED ASSETS	4		1,968,508.04	1,039,309.89
INVESTMENTS	5		130,000.00	130,000.00
CURRENT ASSETS				
Cash on hand	6.1	564,666.00		648,160.15
Cash at bank	6.2	8,908,598.74		6,431,841.52
Outstanding loan (net)	7	30,845,203.16		19,689,216.95
Accounts receivable	8	608,527.84		442,349.95
Prepayments		100,438.17		147,606.63
Stock		71,411.23		19,367.82
Total Current assets		41,098,845.14		27,378,543.02
CURRENT LIABILITIES				
Savings	9	7,398,880.67		5,375,005.30
Accruals	10	363,153.81		275,936.43
Sundry payables		643,060.04		-
Taxes payable	11	13,126.67		7,226.43
Provident fund payable		500,281.62		369.00
Revolving fund payable		2,435,652.00		1,440,000.00
Current portion of Long term loan		766,493.34		-
Total Current Liabilities		12,120,648.15		7,098,537.16
NET CURRENT ASSETS			28,973,196.99	20,280,005.86
LONG TERM LOAN			11,911,276.66	9,142,030.00
NET TOTAL ASSETS			19,165,428.37	12,307,285.75
FINANCED BY				
Paid up capital			213,000.00	213,000.00
Donated equity	12		13,717,941.57	11,279,892.97
Legal reserve			106,500.00	106,500.00
Profit and loss statements			5,127,986.80	707,892.78
			19,165,428.37	12,307,285.75



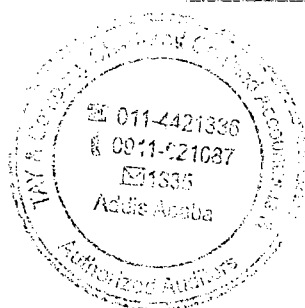
BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
PROFIT AND LOSS STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Birr	Birr	2007 Birr
INCOME				
Interest income on Homa Homa loan	13		9,221,465.65	4,928,546.07
Service charge	14		326,793.24	225,317.07
Sales of pass books	15		79,811.55	91,192.50
Interest income from saving accounts			26,143.65	33,371.31
Other income	16		60,574.30	78,350.88
			<u>9,714,788.39</u>	<u>5,356,777.83</u>
EXPENSES				
Interest on saving		213,652.28		118,456.04
Loan loss reserve expense		317,918.50		131,651.58
Interest on borrowing		674,404.35		409,389.09
Commission fee		51,370.98		34,496.66
Personnel Expenses		2,529,132.63		1,515,455.14
Employee allowances and benefit		848,217.68		749,116.64
Staff training and education		158,729.25		84,764.69
Perdiem and travel expense		412,733.64		212,159.80
Fuel and Lubricants		135,734.81		102,711.90
Vehicle/ Motorcycle parts and repair		154,817.57		87,551.44
Furniture and equipment repair		17,789.05		22,220.75
Printing, stationery and office suppliers		202,100.02		162,911.28
Other materials and supplies		21,510.97		42,064.65
Telephone, fax and postage		102,052.48		77,405.50
Office rent and utilities		283,547.55		225,410.75
Bank Charges		28,302.99		14,696.94
Audit fees		8,000.00		9,000.00
Membership, license and other fees		30,928.30		20,941.35
Money insurance		27,861.96		9,717.77
Other administrative expenses		263,891.38		162,632.63
Depreciation expense		236,265.73		191,262.67
Total expenses			<u>6,718,962.12</u>	<u>4,131,017.27</u>
Net profit from operating			2,995,826.27	1,225,760.56
Non operational Income (Award From European Micro Finance Platform)			1,417,800.00	-
Non operational expense			-	(112,724.37)
Net Profit			<u>4,413,626.27</u>	<u>1,113,036.19</u>
Add: Prior year adjustment	17	6,467.75		(2,500.00)
Add: Balance brought forward (deficit)		707,892.78		(296,143.41)
Less: Transfer to legal reserve				(106,500.00)
			<u>714,360.53</u>	<u>(405,143.41)</u>
Balance on 31.12.07			<u>5,127,986.80</u>	<u>707,892.78</u>
APPROPRIATIONS				
Transfer to balance sheet (excess)			<u>5,127,986.80</u>	<u>707,892.78</u>



BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>Birr</u>	<u>Birr</u>	<u>2007</u> <u>Birr</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before taxation		2,995,826.27	<u>1,113,036.19</u>
Adjustments for:-			
Depreciation	<u>236,265.73</u>		194,262.67
Loan receivable - increase	(11,467,436.96)		(9,723,339.40)
Loan loss allowance - increase	311,450.75		131,651.58
Other current assets - increase	(171,052.84)		5,735.46
Saving payable - increase	2,023,875.37		2,999,580.64
Other current liabilities - decrease	2,002,583.62		148,010.79
Prior year adjustment	<u>6,467.75</u>		<u>(2,500.00)</u>
Net Cash outflow from operating activities		<u>(7,057,846.58)</u>	<u>(6,246,598.26)</u>
Net Cash used in operating activities		(4,062,020.31)	(5,133,562.07)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,165,463.88)	(210,995.71)
Investment		-	(125,000.00)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan - increased	2,769,246.66		6,967,000.00
Revolving fund - increased	995,652.00		1,040,000.00
Grant received - increased	2,438,048.60		1,143,802.65
Award received - increased	<u>1,417,800.00</u>		<u>-</u>
Net cash used in financing activities		<u>7,620,747.26</u>	<u>9,150,802.65</u>
Net increase in cash and cash equivalent		2,393,263.07	3,681,244.87
Cash and Cash Equivalent at the Beginning of the Year		<u>7,080,001.67</u>	<u>3,398,756.80</u>
Cash and Cash Equivalent at the End of the Year		<u>9,473,264.74</u>	<u>7,080,001.67</u>



3. ACCOUNTING POLICES

Buusaa Gonofaa Micro Financing Share Company has adopted the following accounting polices.

a. FIXED ASSETS

- 1. Fixed assets are recorded at acquisition cost less accumulated depreciation. Depreciation is calculated at the following rates per annum.

	<u>%</u>
Machinery and Equipment	10
Computer and Accessories	20
Office furniture and equipment	10
Vehicle and motor cycles	20
Building	5

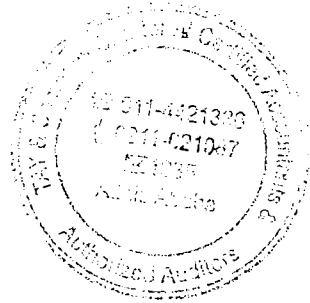
- 2. An item is considered as fixed asset if its estimated useful life span is more than one year, the item has a unit value /cost of Birr 500.00 or above and it is physically identifiable and its location can be maintained with ease.
- 3. The Stock valuation policy applies by the company is first in first out (FIFO).

b. LOAN LOSS RESERVE

- 1. Irrecoverable loans which are payments past due for more than 180 days are written off to loan loss reserve account with prior approval of the board.
- 2. Non – performing loans are classified into five age categories on the basis of the number of days past due and loan loss reserve is provided by computing reserve against each category of non – performing outstanding loans.

The basis of reserve computation is as follows:-

<u>Loan Portfolio</u>	<u>%</u>
Current	0
1-30 days late	10



31-60 days late	25
61-90 days late	30
91-180 days late	50
Over 180 days late	100

c. INTEREST ON LOANS

Cash basis accounting is used to recognize interest income from loans.

d. INTEREST ON SAVINGS

Interest due and payable to depositors is accrued and included in the financial statements.

e. DONATIONS / GRANTS

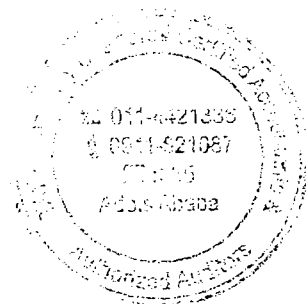
1. Revenue from donations are shown separately from income generated from financial operations.
2. Grants for equity and revolving fund are directly credited to capital account.

f. EXPENSES

Expenses are included in the financial statements on accrual accounting basis.

g. DONATIONS IN KIND

Donating in kind and subsidies are estimated and included in the accounts.



BEJUSAA GONOFAA MICRO FINANCING SHARE COMPANY
 NOTES TO THE ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2008

4. FIXED ASSETS

COST	Balance	Addition	Balance
	1/1/2008		31/12/2008
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Building	-	188,714.67	188,714.67
Vehicle and motor cycles	983,233.16	191,062.15	1,174,295.31
Machinery and equipment	36,977.50	-	36,977.50
Computer and printers	346,902.64	180,940.85	527,843.49
Office furniture and fixture	162,639.34	30,823.62	193,462.96
Other fixed assets	4,808.00	2,580.00	7,388.00
Building under construction	299,895.00	551,635.66	851,530.66
MIS	9,545.76	19,706.93	29,252.69
	<u>1,844,001.40</u>	<u>1,165,463.88</u>	<u>3,009,465.28</u>

DEPRECIATION

Building	-	7,076.79	7,076.79
Vehicle and motor cycles	550,514.53	139,527.47	690,042.00
Machinery and equipment	22,642.32	3,697.75	26,340.07
Computer and printers	174,054.83	68,307.67	242,362.50
Office furniture and fixture	53,953.43	17,039.64	70,993.07
Other fixed assets	3,526.40	616.41	4,142.81
	<u>804,691.51</u>	<u>236,265.73</u>	<u>1,040,957.24</u>

Net Book Balance

1,039,309.89

1,968,508.04

5. INVESTMENTS

The make up of investment is as follows:-

	No Shares	Par Value	Authorized Ordinary Shares	Paid up Capital
OCBSC	5.00	1,000.00	5	5,000.00
OIBSC	125.00	1,000.00	500	125,000.00
	<u>130.00</u>			<u>130,000.00</u>

There is a commitment liability amounting to Birr 375,000.00 in respect of OIBSC.

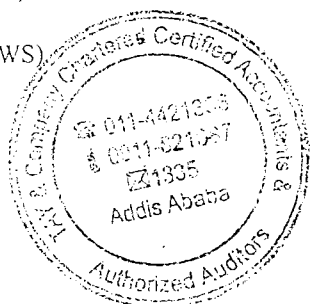


BOUSAA GONOFAA MICRO FINANCING SHARE COMPANY
 NOTES TO THE ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2008

CASH AND BANK

6.1 The make up of cash on hand at branches is as follows:-

CASH ON HAND	2007	
	Birr	Birr
Mojo (MJ)	53,300.17	50,452.75
Muke Turi(MT)	22,424.65	13,736.18
Hollota(HL)	19,807.64	16,066.97
Bushoftu(BU)	28,529.98	112,383.72
Ginichi(GN)	15,168.94	21,774.22
Ambo(AM)	13,862.44	19,686.70
Arsi Negelle (AN)	5,955.85	6,210.00
Shashemene (SA)	126,198.21	179,456.70
Kofale (KF)	24,915.99	67,993.12
Bokoji (BK)	29,995.65	59,818.05
Dodola (DL)	67,937.86	9,471.60
Asella (AS)	2,604.00	16,649.87
Kersa (KE)	7,505.94	8,403.57
Jeldu (JE)	33,886.20	34,543.10
Nekemte (NK)	7,193.50	2,513.60
Bako (BA)	7,878.50	-
Tikur Inchini (TI)	9,022.78	-
Chancho (CH)	9,207.30	-
Kuyra (KU)	1,771.00	-
	<u>487,166.60</u>	<u>619,160.15</u>
PETTY CASH		
Nekemte (NK)	3,000.00	1,500.00
Bako (BA)	3,000.00	1,500.00
Head Office (HO)	5,000.00	-
Mojo (MJ)	3,000.00	1,500.00
Chancho (SU)	3,000.00	1,500.00
Hollota (HL)	3,000.00	1,500.00
Bushoftu (BU)	3,000.00	1,500.00
Ginichi (GN)	3,000.00	1,500.00
Ambo (AM)	4,500.00	1,500.00
Arsi Negelle (AN)	3,000.00	1,500.00
Shashemene (SH)	4,500.00	1,500.00
Kofale (KF)	4,500.00	1,500.00
Bokoji(BK)	3,000.00	1,500.00
Dadola(DL)	3,000.00	1,500.00
Asela(AS)	3,000.00	1,500.00
Kersa(KE)	3,000.00	1,500.00
Jeldu(JE)	3,000.00	1,500.00
Adaba(AD)	5,000.00	5,000.00
Tikur Inchini(TI)	3,000.00	-
Muke Turi(MT)	3,000.00	-
Kuyera(KU)	3,000.00	-
West Showa(WS)	6,000.00	-
	<u>77,500.00</u>	<u>29,000.00</u>
	<u>564,666.60</u>	<u>648,160.15</u>



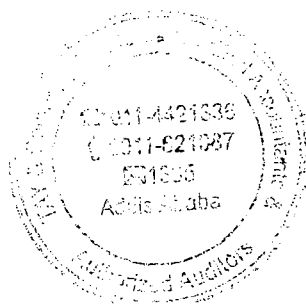
BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

6.2 CASH AT BANK

The make up of cash at bank balances is as follows:-

a) Commercial Bank of Ethiopia:-

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Addis Ababa Branch, Current account number 01710-267363-00	2,242.43	2,440.43
Mojo Branch, Current account number 61295	215,976.08	414,864.85
Arada Branch, Current account number 3000	135,142.75	274.10
Holota Branch, Current account number 385	217,880.02	172,608.80
Bishoftu Branch, Current account number 1221	279,665.39	501,145.59
Hagere Hiwot Branch Current account No 1483	127.05	25,907.05
Ginchi Branch Current Account No 22	150,466.45	18,040.80
Hagere Hiwot Branch Current account No 1484	100,889.55	105,656.95
Aris Negale Branch, Current Account No 263	142,233.78	219,227.37
Shashemene Branch, Current Account No 1219	333,120.65	387,025.90
Shashemene Branch, Current Account No 1157	283,666.06	225,987.40
Dodola Branch, Current Account No 891	479,467.59	421,034.89
Bokoji Branch, Current Account No 450	197,207.08	100,702.93
Fitche Branch, Current account No 783	411,722.71	569,171.55
Temenja Yaj Branch, C/A No. 2771 (1709-655324-00)	1,241,600.67	376,016.35
Assela Branch " " " 1188	168,875.04	66,067.65
Kersa " " " 1187	137,483.06	136,140.48
Hager Hiwot " " " 1583	174.65	94,164.65
Ginchi " " " 23	81,470.85	1,000.00
Nekemte " " " 1089	101,135.30	39,689.85
Hagere Hiwot " " " 1671	103,024.15	100,993.85
Arsi Negele " " " 396	229,136.31	-
Zeway " " " 792	27,412.60	-
Boko " " " 611	20,227.82	-
	5,060,348.04	3,978,161.44
Commercial Bank Ethiopia - Saving account Temenja Yaj Branch account number 42077	2,210,277.63	2,448,361.16
b) Awash International Bank S.C:-		
Head office Branch, current account number 1239	1,637,473.07	4,808.92
c) Dashen Bank - Main Branch	500.00	500.00
	8,908,598.74	6,431,831.52



BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

7. OUTSTANDING LOANS

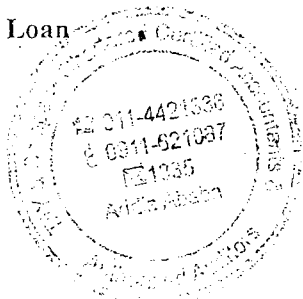
7.1 The make up of outstanding loan by branch is as follows:-

<u>Branches</u>	<u>Homa Homa</u>	<u>Employee</u>	<u>Total</u>	<u>2007</u> <u>Birr</u>
Mojo	1,439,056.90	181,387.70	1,620,444.60	1,234,057.41
Muke Turi	2,162,846.80	52,198.80	2,215,045.60	1,685,663.15
Holota	1,363,688.17	517,881.53	1,881,569.70	1,529,783.97
Bishoftu	2,759,727.98	290,935.27	3,050,663.25	2,541,782.49
Ginichi	1,953,758.00	78,161.54	2,031,919.54	1,673,729.52
Ambo	707,211.50	947,244.66	1,654,456.16	1,747,438.73
Arsi Negelle	1,528,669.81	951,643.46	2,480,313.27	2,217,972.04
Shashemen	2,293,446.66	1,333,868.73	3,627,315.39	2,108,146.93
Kofale	2,714,922.40	-	2,714,922.40	1,467,134.90
Bokoji	2,647,832.80	-	2,647,832.80	1,539,200.50
Dodola	1,432,092.40	-	1,432,092.40	772,618.35
Assela	838,126.90	-	838,126.90	317,821.65
Baccs	475,238.38	-	475,238.38	-
Kersa	1,418,017.95	-	1,418,017.95	413,478.95
Jeldu	840,495.70	-	840,495.70	362,689.85
Nekemet	789,041.80	-	789,041.80	87,222.55
Tikur Inchini	522,241.30	-	522,241.30	-
Chancho	593,092.80	-	593,092.80	-
Head Office	5,524.67	-	5,524.67	27,467.51
Kuyera	280,290.85	-	280,290.85	-
Refinancing for community Banks	-	250,000.00	250,000.00	175,000.00
	<u>26,765,323.77</u>	<u>4,603,321.69</u>	<u>31,368,645.46</u>	<u>19,901,208.50</u>
Less:- Loan loss reserve (Refer not 5.4 below)			<u>523,442.30</u>	<u>211,991.55</u>
			<u>30,845,203.16</u>	<u>19,689,216.95</u>

7.2 LOAN PORTFOLIO BY LOAN PRODUCT

The breakdown of the outstanding loan portfolio by loan product is as follows:-

<u>Loan Product</u>	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Homa Homa	26,765,323.77	16,137,251.13
Employee	4,353,321.69	3,588,957.37
Refining for rural community banks	250,000.00	175,000.00
Total Outstanding loan before provision	31,368,645.46	19,901,208.50
Less:- Loan Loss reserve	523,442.30	211,991.55
Net portfolio Loan	30,845,203.16	19,689,216.95



BUUSAA GONOFEE MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

7.3. PORTFOLIO AGE CATEGORY - BIRR 523,442.30

Portfolio age category	Share of Total	2007 Amount	Loan Loss Reserve	Share of Total	2007 Amount	Loan Loss Reserve
Current loan	96.04%	30,126,366.43	-	97.18%	19,340,635.19	-
1-30 Days late	1.58%	495,300.65	49,530.07	1.15%	228,942.20	22,894.22
31-60 Days late	0.54%	168,941.93	42,235.48	0.54%	107,565.50	26,891.38
61-90 Days late	0.48%	150,552.60	45,165.78	0.05%	10,646.10	3,193.83
91-180 Days Late	0.26%	81,945.17	40,972.59	0.55%	108,814.78	54,407.39
>180 Days Late	1.10%	345,538.38	345,538.38	0.53%	104,604.73	104,604.73
	<u>100%</u>	<u>31,368,645.16</u>	<u>523,442.30</u>	<u>100%</u>	<u>19,901,208.50</u>	<u>211,991.55</u>

7.4 LOAN LOSS RESERVE

Changes in the loan loss reserve are summarized as follows:-

	Birr	2007 Birr
Beginning Balance 01-January-2008	211,991.55	80,339.97
<u>Add:</u> Additional provision for loan Losses for the year	317,918.50	131,651.58
	529,910.05	211,991.55
<u>Less:</u> Reinstated loan collected during the current year	(6,467.75)	-
	<u>523,442.30</u>	<u>211,991.55</u>

8. ACCOUNTS RECEIVABLE

	Birr	2007 Birr
Taxes	8,967.48	8,967.48
Staff receivable	465,518.23	282,017.75
Sundry receivable	134,042.13	151,364.72
	<u>608,527.84</u>	<u>442,349.95</u>



BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
 NOTES TO THE ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2008

9. SAVINGS

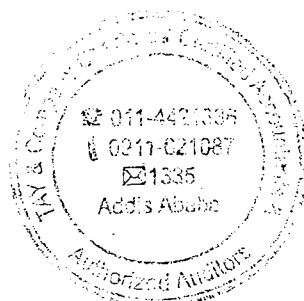
	<u>HOMA HOMA</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>	<u>2007</u> <u>Birr</u>
Head office	-	1,694.61	1,694.61	2,325.00
Mojo	418,134.14	21,986.55	440,120.69	500,734.95
Muketri	458,569.15	12,591.00	471,263.15	504,927.30
Holota	632,447.03	70,603.09	703,050.12	554,374.10
Bushoftu	639,990.71	20,891.63	660,882.34	869,513.33
Ginichi	509,945.91	9,461.13	519,407.04	357,537.85
Ambo	131,227.80	77,262.18	208,489.98	194,145.66
Arsi Negelle	356,632.56	68,657.73	425,290.29	581,310.75
Shashemene	874,315.07	190,193.81	1,064,508.88	652,286.82
Kofale	591,791.62	-	591,791.62	312,332.50
Bokoji	569,600.00	-	569,600.00	319,877.00
Dodola	518,132.92	-	518,132.92	279,372.22
Assela	168,883.40	-	168,883.40	53,182.55
Bacco	64,764.21	-	64,764.21	-
Kersa	346,558.79	-	346,558.79	98,378.88
Jeldu	187,585.74	-	187,585.74	86,334.19
Nekemete	147,360.55	-	147,360.55	8,372.20
Tikur Inchini	104,631.90	-	104,631.90	-
Chancho	140,166.25	-	140,166.25	-
Kuyera	37,498.79	-	37,498.79	-
Refinance to community bank	-	27,199.40	27,199.40	-
	<u>6,898,236.54</u>	<u>500,644.13</u>	<u>7,398,880.67</u>	<u>5,375,005.30</u>

10. ACCRUALS

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Audit fee payable	17,000.00	9,000.00
Salaries and wages	-	23,612.50
Utilities	7,623.46	3,007.83
Telephone, fax and postage	8,314.18	6,414.74
Interest payable on loan	330,216.17	230,526.01
Others	-	3,375.35
	<u>363,153.81</u>	<u>275,936.43</u>

11. TAX PAYABLE

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Income tax	12,720.82	7,226.43
Withholding tax	405.85	-
	<u>13,126.67</u>	<u>7,226.43</u>



BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

12. DONATED EQUITY

The make up of donated equities is as follows:-

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Arsi, Bale Rural Development (ABRP)	420,560.00	254,560.00
SOS FAIM ASBL	4,276,891.37	3,670,420.70
Hundee / WSM	1,363,639.85	1,363,639.85
WSM	1,892,392.00	1,523,080.00
International Organization for Development Cooperation (ICCO)	3,761,502.20	3,761,502.20
Terrafina - Earmarked fund	1,510,710.67	240,099.14
Embassy of France	300,000.00	300,000.00
Archipel 33	25,166.56	25,166.56
RUFIP	92,934.10	67,279.70
CIDR	54,400.00	54,400.00
Association of Ethiopian Micro Finance Institutions (AEMFI)	19,744.82	19,744.82
	<u>13,717,941.57</u>	<u>11,279,892.97</u>

13. INTEREST INCOME

The make up of interest income by branch is as follows:-

	<u>Homa Homa</u>	<u>Employee</u>	<u>Total</u>	<u>2007</u> <u>Birr</u>
Head Office	173.22	-	173.22	7,268.65
Mojo	556,349.70	44,464.17	600,813.87	512,000.57
Muka Turi	723,413.30	41,220.25	764,633.55	527,373.40
Holota	456,331.00	56,565.18	512,896.18	413,545.75
Bishoftu	1,089,258.59	39,119.33	1,128,377.92	506,862.40
Ginichi	542,444.45	11,078.95	553,523.40	401,445.58
Ambo	161,873.65	147,627.26	309,500.91	260,472.01
Arisi Negelle	720,960.09	170,274.38	891,234.47	657,050.34
Shashemene	795,866.05	241,259.58	1,037,125.63	659,118.17
Kofale	922,282.98	-	922,282.98	305,767.80
Bokoji	755,366.75	-	755,366.75	277,887.10
Dodola	506,258.20	-	506,258.20	203,257.80
Assela	202,797.10	-	202,797.10	43,500.75
Kersa	361,001.65	-	361,001.65	74,486.00
Jeldu	209,320.69	-	209,320.69	72,781.25
Nekemete	145,955.29	-	145,955.29	5,728.50
Bako	71,282.70	-	71,282.70	-
Tikur Incihini	115,809.45	-	115,809.45	-
Chancho	106,261.54	-	106,261.54	-
Kuyera	26,850.15	-	26,850.15	-
	<u>8,469,856.55</u>	<u>751,609.10</u>	<u>9,221,465.65</u>	<u>4,928,546.07</u>



BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

14. SERVICE CHARGE INCOME

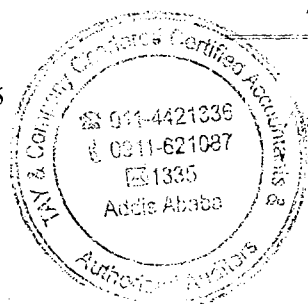
The make up of service charge income by branch is as follows:-

	<u>Homa Homa</u>	<u>Employee</u>	<u>Total</u>	<u>2007</u> <u>Birr</u>
Head Office	-	-	-	-
Mojo	13,907.00	-	13,907.00	10,893.60
Muka Turi	18,569.60	-	18,569.60	23,951.25
Holota	14,285.30	9,175.20	23,460.50	15,066.00
Bishoftu	16,771.25	11,924.70	28,695.95	15,173.40
Ginichi	8,739.00	4,289.75	13,028.75	10,718.00
Ambo	20,010.85	4,606.00	24,616.85	29,633.20
Arisi Negelle	23,644.50	28,944.00	52,588.50	36,139.35
Shashemene	25,884.70	42,864.42	68,749.12	34,596.67
Kofale	12,839.76	-	12,839.76	11,503.00
Bokoji	14,430.47	-	14,430.47	12,985.00
Dodola	10,573.75	-	10,573.75	8,022.60
Assela	5,528.14	-	5,528.14	4,086.00
Kersa	9,498.25	-	9,498.25	5,454.00
Jeldu	8,306.25	-	8,306.25	5,735.00
Nekemete	8,785.25	-	8,785.25	1,360.00
Bako	3,165.25	-	3,165.25	-
Tikur Incihini	2,599.50	-	2,599.50	-
Chancho	5,626.25	-	5,626.25	-
Kuyera	1,824.10	-	1,824.10	-
	<u>224,989.17</u>	<u>101,804.07</u>	<u>326,793.24</u>	<u>225,317.07</u>

15. SALES OF PASS

The make up of sales of pass books by branch is as follows:-

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Mojo	3,050.00	2,475.00
Muka Turi	5,248.75	10,141.00
Holota	3,782.30	3,895.00
Bishoftu	4,535.00	4,684.00
Ginichi	4,590.00	5,210.00
Ambo	715.00	5,370.00
Arisi Negelle	4,740.00	10,214.00
Shashemene	7,178.00	8,621.00
Kofale	5,810.50	7,910.00
Bokoji	5,991.25	11,141.50
Dodola	4,280.00	5,980.00
Assela	3,750.00	3,916.00
Kersa	7,099.75	5,165.00
Jeldu	4,300.00	5,110.00
Nekemete	5,515.00	1,360.00
Bako	3,990.00	-
Tikur Incihini	1,075.00	-
Chancho	2,891.00	-
Kuyera	1,270.00	-
	<u>79,811.55</u>	<u>91,192.50</u>



BUUSAA GONOFEE MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

16. OTHER INCOME

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Penalty	-	624.60
Other Income	60,574.30	77,726.28
	<u>60,574.30</u>	<u>78,350.88</u>

17. PRIOR YEAR ADJUSTMENT

The make up of prior year adjustment is as follows:-

	<u>Birr</u>	<u>2007</u> <u>Birr</u>
Audit fee for 2006	-	2,500.00
Reinstated loan collected during the current year	6,467.75	-
	<u>6,467.75</u>	<u>2,500.00</u>

18. REPAYMENT RATE

$$\begin{aligned}
 \text{Repayment Rate} &= \frac{\text{Amount Collected during the period}}{\text{Amount due} + \text{Amount Past due}} \\
 &= \frac{40,690,596.23}{40,690,596.23 + 555,364.33} \\
 &= \frac{40,690,596.23}{41,245,960.56} \times 100 \\
 &= \underline{98.65\%}
 \end{aligned}$$



BUUSAA GONOFAA MICRO FINANCING SHARE COMPANY
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

17. STAFF COST

1. The company has 191 employees, who are each entitled to the following benefits:-

2. Insurance Coverage

- a) GAPA - 5 years salary compensation for all employees
 - for Accidental death and injury
 - Comprehensive (24 hours cover)
- b) Life - 1 Year salary compensation (Group term annual renewable)
 - For any death (natural and Accidental)

3. Medical Benefit

- Up to a maximum Birr 2,000.00 Per employee for one year.

4. Provident Fund

- 10% of basic gross salary of regular employees per month (Contribution by BG)

5. Annual Leave

- Regular employees are entitled to annual leave of 20 working days for the 1 year service and one additional working day for every additional year of service

- The maximum number of leave days shall not exceed 35 working days

6. The maximum number of accrued leave days to be converted to cash shall not exceed total number of nearest current years leave days.



1. FIXED ASSETS

1.1. Observation

Except for the motor vehicles other Fixed Assets have no insurance cover.

Implication

The company is exposed to risk of loss on fire, theft, flood, burglary and others

Recommendation

We recommended that all Fixed Assets should be insured against all risk that can arise on the Company assets.

2. STOCK

2.1. Observation

We have observed that financial stock and bin cards are not maintained by the company for stationary and printed materials.

Implication

This might weaken the internal control over this asset.

Recommendation

We recommend that the institution should maintain financial stock cards that show the movement of quantities and value of items and bin cards showing only the quantity movement of each stock item and reconciliation of the these records need to be done at regular interval.

3. CASH AND BANK BALANCES

3.1. Observation

We noted the following differences between the ledger balance and the balance of cash count conducted at the yearend for the following branches.

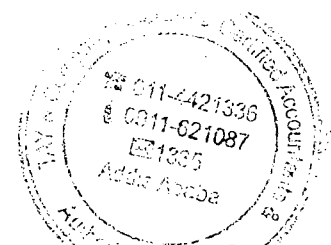
<u>Branch</u>	<u>Per Ledger</u>	<u>Per Count</u>	<u>Difference</u>
Kofele	4,500.00	3,000.00	1,500.00
Shashemene	4,500.00	3,000.00	1,500.00
	<u>9,000.00</u>	<u>6,000.00</u>	<u>3,000.00</u>

Implication

These balances might be misstated due to errors.

Recommendation

The difference needs to be investigated and appropriate accounting action be taken.



3.2. Observation

We did not obtain cash count sheets for the following branches

<u>Branch</u>	<u>Type of Cash</u>	<u>Amount</u>
Adaba	Petty Cash	5,000.00
West Showa	Petty Cash	6,000.00
Arsi Negele	Cash on hand	<u>170.00</u>
		<u>11,170.00</u>

Implication

In the absence of such documents we are not able to ascertain the physical existence of cash on hand reported at the balance sheet date.

Recommendation

We recommend management to take appropriate measure and make available the required cash count documents.

4. ACCOUNTS RECEIVABLE

4.1. Observation

Accounts receivable included a long outstanding balance amounting to Birr 8,967.48 paid to Inland Revenue Authority.

Implication

The collectable of this birr is very low.

Recommendation

We recommended that the management should be taken action in this amount.

5. GENERAL

5.1. Observation

- Withholding tax is not deducted from purchase of goods and services above Birr 10,000 above 500.00 respectively.

Implication

Violation of tax regulation may entail tax penalty.

Recommendation

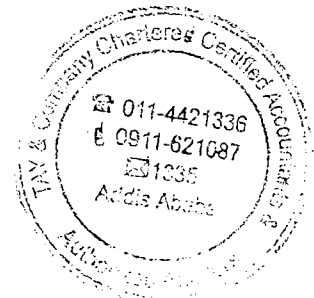
Tax regulation needs to be strictly adhered.

5.2. Observation

Instances were observed where goods purchased with out collecting proforma invoices.

Implication

Goods may not be acquired at competitive market price.



Recommendation

We recommend that at least there proforma invoices from different vendors needs to be collected and compared for price and quality propose.

5.3. Observation

We observed instances where JV's were not approved.

Implication

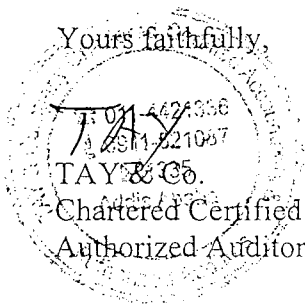
It might weaken the internal control system of the institution.

Recommendation

We recommend that management should take appropriate action.

Finally, we would like to thank all the staff members and management of the Buusaa Gonofaa Micro Financing Share Company for the support and cooperation accorded to us during to course of our audit.

Yours faithfully,



TAY & CO.
Chartered Certified Accountant
Authorized Auditors