

# **ETHIOPIAN PULP & PAPER SHARE COMPANY**

## **FINANCIAL STATEMENTS AND AUDIT REPORT 30 JUNE 2025**

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**MANAGEMENT, PROFESSIONAL ADVISORS AND REGISTERED OFFICE  
FOR THE YEAR ENDED 30 JUNE 2025**

**Executive management (as of 30 June 2025)**

Ato Bayisa Temesgen	Chief Executive Officer and Managing Director
Ato Tilahun	Menegsha Technical Process Executive Officer
Ato Niguse Eshetu:	Administration and Human Resource Executive Officer
Ato Geremew Birhane:	Production Process Executive Officer
Ato Abiy Legese:	Market Research and Sales Process Executive Officer
Ato Wirtu Wakoy:	Finance Administration Process Executive Officer
Ato Temesgen Bekele:	Purchase and Supply Process Executive Officer
W/ro Natsanat Tilahun	A/Core process Vice Chief Exec & Plane and Information Process Service Head
Ato Kasu Bekele	A/Quality Assurance, Research and Improvement Service Head
Ato Addisu Mokonnen	A/Internal Audit Service Head

**Registered office**

P. O. Box 790  
Addis Ababa  
P. O. Box 72  
Adama  
Website: [www.eppsc.com.et](http://www.eppsc.com.et)  
Email: [info@eppsc.com.et](mailto:info@eppsc.com.et)  
Wonji, Ethiopia

**Independent Auditors**

Tafesse, Shisema & Ayalew (TMS Plus) Certified Audit Partnership Chartered Certified Accountants (UK)  
Authorized Auditors (ETH)

P.O. Box 110690  
Addis Ababa, Ethiopia

**Principal Bankers**

Commercial Bank of Ethiopia & Awash Bank SC

**Legal Advisers**

Ato Jibril Afkedir  
Legal services  
Tel: 0911842968  
Adama, Ethiopia





## STATEMENT OF MANAGEMENT RESPONSIBILITY

The Directors of the Ethiopian Pulp & Paper Share Company are responsible for the preparation and fair presentation of the Company's financial reports in full conformity with the requirements of the International Financial Reporting Standard issued by the International Accounting Standards Board (IASB) which provide information about the financial position, financial performance and cash flows of the entity that is useful to a wide range of users in making economic decisions.

The Commercial Code of Ethiopia 1243/2021 require the Board to prepare financial statements that represent the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Commercial Code of Ethiopia 1243/2021 also requires the Directors to ensure that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its comprehensive income in the manner required by International Financial Reporting Standards (IFRS), 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. The responsibilities include:

- a) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to error or fraud;
- b) selecting suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- c) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company.

The Directors further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss.

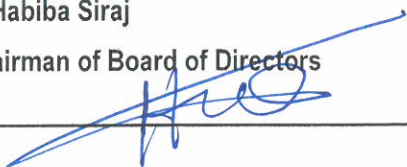
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Name: W/ro Habiba Siraj

Position: Chairman of Board of Directors

Signature: \_\_\_\_\_





**INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTS OF  
ETHIOPIAN PULP & PAPER SHARE COMPANY*****Opinion***

We have audited the financial statements of Ethiopian Pulp & Paper Share Company, set out on pages 7 to 49, which comprise the statement of financial position as of 30 June 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and note to the financial statements, including a summary of significant accounting policies specified on page 11-49.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

***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 Statement section of our report. We are independent of the Company in accordance with the Ethiopian Code of Ethics for Professional Accountants, 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.

***Responsibilities of Directors for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors 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, Directors are 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.

The Directors are responsible for overseeing the Company's financial reporting process.






### ***Auditor's 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 not received the report of the Board of Directors as per Proclamation No. 1243/2021 of the Commercial Code of Ethiopia and as a result, we are unable to provide our comment on it.

  
Tafesse, Shisema and Ayalew (TMS Plus) Certified Audit Partnership  
Chartered Certified Accountants (UK)  
Authorized Auditors (ETH)



Addis Ababa  
30 October 2025





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Notes	ETB	2024 ETB
SALES	5	148,295,017.02	126,468,879
COST OF GOODS SOLD	6	(114,816,691.51)	(94,699,776)
<b>GROSS OPERATING PROFIT</b>		<b>33,478,325.51</b>	<b>31,769,103</b>
OTHER INCOME	7	(19,999,671.02)	(3,469,227)
		<b>52,477,996.53</b>	<b>35,238,330</b>
<b>EXPENSES</b>			
Administration	8	26,817,767.52	21,915,733
Selling and distribution	9	6,111,461.44	6,115,376
Financial charges	10	5,794,258.92	4,182,714
Board & auditors' fee	11	521,585.00	600,585
		<b>(39,245,072.88)</b>	<b>(32,814,408)</b>
<b>PROFIT(LOSS) BEFORE TAXATION</b>		<b>13,232,923.65</b>	<b>2,423,922</b>
PROVISION FOR TAXATION	27	(6,542,219.93)	(2,927,288)
<b>PROFIT/LOSS AFTER TAXATION</b>		<b>6,690,703.72</b>	<b>(503,366)</b>
Transfer to Legal Reserve 5%	19	(334,535.19)	(0.00)
<b>NET PROFIT/LOSS AFTER TAXATION</b>		<b>6,356,168.53</b>	<b>(503,366)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Amortized Interest on government Bond	26	39,329.91	33,204
Deferred Tax Income/Expense	23	2,197,408.14	1,906,508
Net Other Comprehensive Income to be Reclassified to Profit or Loss In Subsequent Periods(Net of Tax)		-	-
<b>Total Comprehensive Income for the Year Net of Tax</b>		<b>8,592,906.58</b>	<b>1,436,346</b>



**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2025**

	Notes	ETB	2024 ETB
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	12	264,978,028.49	268,021,875
Government Bond(Investment)	13	319,862.55	280,532
		<b>265,297,891.04</b>	<b>268,302,407</b>
<b>CURRENT ASSETS</b>			
Stock	14	205,004,938.14	206,976,799
Trade and Other Receivable	15	19,713,494.38	22,546,712
Withhold tax in excess of profit tax	16&27	1,572,915.46	2,548,827
Cash and bank balances	17	8,609,763.45	3,018,676
		<b>234,901,111.43</b>	<b>235,091,014</b>
<b>TOTAL ASSETS</b>		<b>500,199,002.47</b>	<b>503,393,422</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Authorized and Paid up Capital	18	165,801,312.13	165,801,312
First time IFRS adoption revaluation reserve		192,906,436.00	192,906,436
Legal Reserve	19	2,334,535.19	2,000,000
Retained Earnings	20	(27,105,414.49)	(27,421,629)
		<b>333,936,868.69</b>	<b>333,286,119</b>
<b>SHAREHOLDERS FUNDS</b>			
<b>CURRENT LIABILITIES</b>			
Trades and Other payables	21	58,363,338.27	43,070,093
Current maturity of long term loans	25	-	-
Bank overdraft	22	27,824,442.61	39,652,942
Annual leave pay accrued	24.1	2,777,504.96	2,665,345
Profit tax payable	27	3,320,903.34	630,707
		<b>92,286,189.18</b>	<b>86,019,086</b>
<b>NON CURRENT LIABILITIES</b>			
Differed tax liabilities	23	68,081,194.77	70,278,601
Severance payable	24.2	2,268,251.46	2,435,134
Long term loan	25	3,626,498.36	11,374,479
Long term loan - PESSA	25	-	-
		<b>73,975,944.59</b>	<b>84,088,216</b>
<b>TOTAL LIABILITIES</b>		<b>166,262,133.78</b>	<b>170,107,302</b>
<b>TOTAL EQUITY AND LIABILITY</b>		<b>500,199,002.47</b>	<b>503,393,422</b>





ETHIOPIAN PULP AND PAPER SHARE COMPANY  
STATEMENTS OF CHANGE IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2025

Notes	Share Capital	Legal Reserve	1 <sup>st</sup> Time IFRS Adjustment	Retained Earning	Total Equity	
ETBETBETBETBETB						
As at 30 June 2023	18/19/20	10,000,000	2,000,000	192,906,436	29,219,385	234,125,820
Share capital EBT paid adjustment of Long term loan PPES 105,458,848	105,458,848	-	-			105,458,848
Share capital EBT Paid Adjustment of UN Allocated Profit	50,342,464	-	-	(50,342,464)		-
Adjustment of Retained Earning and Withholding Tax Receivable as per Ministry of Revenue Decision on Tax audit Report Refer Letter4-9777016 on 30/08/2016 CRV-04966) Date:-05-07-2016፳፱				(1,858,964)		(1,858,964)
Ethiopian Electric Utility back pay Consumption year of 2022 and 2023 Ralf Letter 0122202016 Date 12/02/2016፳፱				(5,875,931)		(5,875,932)
Comprehensive Income for the Year				1,436,346.00		1,436,346.00
As at 30 JUNE 2024	18/19/20	165,801,312.13	2,000,000	192,906,436	( 27,421,629)	333,286,119
Adjustment of Retained Earning and Withholding Tax Receivable as per Ministry of Revenue Decision on Tax audit Report Reference CRV-05057)				(1,572,540.87)		(1,572,540.87)
Ethiopian Electric Utility back pay Consumption year of 2023 and 2024 Ref Letter 243/220/2017 Date 04/07/2017				(6,704,151.52)		(6,704,151.52)
Comprehensive Income for the Year Net of Tax				8,927,441.76		8,927,441.76
Transfer to Legal Reserve (Note 19)		334,535.19		(334,535.19)		-
Balance at 30 June 2025		165,801,312.13	2,334,535.19	192,906,436	(27,105,414.49)	333,936,868.69





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**STATEMENT CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Notes</u>	<u>ETB</u>	<u>2024</u> <u>ETB</u>
<b>Cash Flow From Operating Activates</b>		13,232,923.65	2,423,922
Profit before tax			
<b>Non Cash Adjustment:</b>			
Depreciation	12	13,073,278.03	11,979,787
Finance Cost Recognized in Profit or Loss/Interest Expense	10	5,794,258.92	4,182,714
Adjustment of Retained Earning and Withholding Tax Receivable as per Ministry of Revenue Decision on tax audit report Ref. (CRV-05057) Date:- 04-04-2025 ግ/ፖ		(1,572,540.87)	(1,858,963)
Ethiopian Electric Utility back pay consumption for the year of 2023 and 2024 Reff. letter- 243/220/20167 Date-4/07/2017 ግ/ፖ		(6,704,151.18)	(5,875,932)
		<b>24,117,796.81</b>	<b>(10,851,528)</b>
<b>Movements in working capital</b>			
Decrease(increase) in stock	14	1,971,861.16	(23,141,895)
Decrease(increase) in debtors	15	2,833,217.92	10,438,407
Increase(decrease) in creditors	21	15,293,245.63	(7,425,945)
Increase(decrease) in employee benefits	24	(54,722.97)	(5,741)
<b>Cash generated from (used by) operations</b>		<b>50,571,521.41</b>	<b>(9,283,647)</b>
Interest paid	10	(5,794,258.92)	(4,182,714)
Withhold tax, profit tax reconciled	16	(2,876,111.82)	212,792
<b>Net cash generated (Used by) Operation/Cash flow from Operation</b>		<b>35,196,999.34</b>	<b>(13,253,570)</b>
<b>Cash Flow From Investing Activities</b>			
Payment for purchase of Property, Plant & Equipment	12	(10,029,431.93)	(7,636,341)
<b>Net Cash from investing activities</b>		<b>(10,029,431.93)</b>	<b>(7,636,341)</b>
<b>Cash Flow From Financing Activities</b>			
Medium term loan repaid (Current maturity of long term loans)		(7,747,980.55)	7,747,981
Decrease/Increase on bank overdraft		(11,828,499.22)	15,182,302
<b>Net Cash from financing activities</b>		<b>(19,576,479.77)</b>	<b>22,930,282</b>
<b>Net increase in Cash and Cash Equivalents</b>		<b>5,591,087.64</b>	<b>2,040,371</b>
Cash at bank at opening balance –July 01, 2024		3,018,675.81	978,305
<b>Cash at Bank at Ending Balance –June 30, 2025</b>		<b>8,609,763.45</b>	<b>3,018,676</b>
Cash at bank and bank overdraft-ending balance – June 30, 2025		(27,824,442.61)	(39,652,942)
<b>Cash at bank and bank overdraft-ending balance – June 30, 2025</b>		<b>(19,214,679.16)</b>	<b>(36,634,266)</b>





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**1. Reporting Entity**

Ethiopian Pulp & Paper Share Company (the Company) is a share company, incorporated in Ethiopia, involves in the production and selling of paper products and corrugated boxes and was established in 1963 in accordance with the relevant law of the Country with a paid-up capital of ETB 10,000,000 (200,000 issued shares each with ETB 50 par value). The company is owned by the Ethiopian Government and the International Financial Corporation (IFC) each having an ownership share of 70% and 30%, respectively.

Country with a paid-up capital of ETB 165, 801,312.13 with Share Capital EBT Paid Adjustment of Long Term Loan PPES 105,458,848.13 & Share Capital EBT Paid Adjustment of UN Allocated Profit ETB 50,342,464.00

The head quarter of the company is located in Adama Town, Wonj Woreda, Oromia National Regional State, and 112 km from Addis Ababa City. The Company has a marketing liaison office in Addis Ababa.

**2. Basis of Preparation**

**2.1. Statement of Compliance**

The financial statements for the period ended on June 30, 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The statements are IFRS based financial statements for the company.

The financial statements were authorized for issue by the board of directors of the company.

**2.2. Base of Measurement**

The financial statements have been prepared on a historical cost basis except for the following items.

- Free-hold land measured at a revalued amount; and
- Defined benefit obligation (severance pay) measured at the present value of the amount expected to be paid in the future.

**2.3. Functional and Presentation currency**

The financial statements are presented in Ethiopian Birr (ETB), which is the functional currency of the company.

**2.4. Use of Judgments and Estimates**

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

Note 3.3. Useful lives and residual values of Properties, plant & Equipment

Note 3.7 Provision for Uncollectible

Note 3.8. measurement of defined benefits obligations (severance pay)

Note 3.9. Recognition and measurement of provisions and contingencies

Note 3.11(b). Recognition of Deferred Taxes

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are included in the following note:

Note 3.4. Assessment of lease contracts for liaison office in Addis Ababa

**3. Significant Accounting Policies**

The financial statements have been prepared using accounting policies specified by those IFRSs that are effective as at June 30, 2025. The significant accounting policies that have been applied in the preparation of these statements are summarized below.

**3.1 Foreign Currency Transactions**

Transactions in foreign currencies are translated to the functional currency of the company, ETB, at the exchange rates at the date of the transactions.

Monetary liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date.

Foreign currency gain or loss resulting from the settlement of foreign exchange denominated in monetary liabilities and from the re-measurement of such liabilities are recognized in profit or loss of the reporting period.

**3.2 IFRS 15 - Revenue from Contracts with Customers**

The main sources of revenue from the contract with the customers of company are sales of products (paper and corrugated boxes) that it manufactures. A typical contract of the company with a customer involves an obligation to produce products and deliver of the goods to the floor of the customer. This implies that performance obligation is satisfied when the customer receives the products; by then customers obtain control over assets. Accordingly, the company recognizes revenue when it delivers products to its customers.

The common payment term given to customers by the company involves collection of an advance payment (up to 50%) on receiving an order and collecting the remaining portion (50%) of the value of the products delivered up on and/or after delivery.





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**3.3 Property, Plant & Equipment (PPE)**

**a) Recognition and Measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. However, freehold land is carried at a revalued amount under the revaluation model. As no finite useful life for land can be determined, related carrying amount is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 of property, plant and equipment, and are recognized net within other income in profit or loss.

**b) Subsequent Costs**

The cost of replacing a 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.

**c) Depreciation**

Depreciation on depreciable PPEs is calculated on the straight-line bases using the following estimated useful life for each class.

<u>Item</u>	<u>Useful life (years)</u>
Buildings	40
Roads	20
Plant and Machinery	30
Motor Vehicles	10
Office Furniture and Equipment	10
Tools	5
Computer and printer	4

Depreciation is calculated over the depreciable amount, which is the cost of the asset, or other amount substituted for cost, less its residual value. Residual value of each class of PPE is estimated to be nil. Depreciation is recognized in profit or loss or capitalized as asset when appropriate on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate. **Construction in progress** is included under PPE and comprises costs incurred on an ongoing construction of a capital asset.





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**3.4 Leases**

IFRS 16 *Leases*, was issued in January 2016 and becomes effective for annual reporting periods beginning on or after January 1, 2019. However, earlier application of the standard is permitted for entities that applied IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. The Company, therefore, elected to apply IFRS 16 starting from the beginning of the fiscal year ending on June 30, 2018.

IFRS 16 provides option of not recognizing right of assets and lease liabilities for short-term leases and leases of low value assets. The company elected not to recognize right-of-use assets and lease liabilities for its short-term lease contracts. The term of a lease is considered short-term if it is for a period of one year or less. The company recognizes the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

**3.5 Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**3.6 Financial Instruments**

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The initial and subsequent measurement of financial assets and financial liabilities is described below:

**i. Financial Assets**

The company's financial assets include Cash and Cash Equivalents, Trade and other Receivables, and held to maturity investments.

**a. Cash & Cash Equivalents**

Cash comprises cash on hand and cash at bank. Cash Equivalents are deemed of immediate realization since they are easily convertible in to cash within three months following the date of acquisition, held for the purpose of meeting short term cash commitments rather than other purposes. Cash is measured at face value which is equivalent to fair value.





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank overdrafts as they are considered an integral part of the company's cash management. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**b. Trade and Other receivables**

These include Trade Receivables, staff debtors, and other receivables of short-term nature that are held to maturity to collect contractual cash flows. These items are initially recognized at transaction price. After initial recognition, the items are measured at amortized cost using the effective interest method, less provision for impairment. Since all of the receivables are for a short-term period, the effect of discounting is omitted. The simplified model for impairment is used to determine the provision for uncollectible accounts.

**c. Investment held-to-maturity - debt Securities**

Debt securities held to maturity are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

**ii. Financial Liabilities**

**Initial Recognition and Measurement**

The company's financial liabilities include Trade and other payables, Loans and Borrowings. Financial liabilities are measured, at initial recognition, at fair value less directly attributable costs.

**Subsequent measurement**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. The resulting interest on the loans is reported in profit or loss or added to the cost of a qualifying asset, as appropriate.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**3.7 Impairment**

**3.7.1 Impairment of Financial Assets**

The company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset, that loss event (s) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.





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Objective evidence that financial assets are impaired includes default or delinquency of a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, delinquency in interest or principal payments indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowings or issuers, and economic conditions that correlate with defaults.

**Financial Assets carried at Amortized cost**

The company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together with assets of similar risk characteristics.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**3.7.2 Impairment of non-Financial assets**

Non-financial assets excluding inventories and deferred tax assets are assessed at the end of each reporting date to determine whether there is an indication that they may be impaired. If any indication for impairment exists, impairment testing for the asset will be made.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets, or cash generating units. Free-hold land is tested for impairment annually despite the presence of indicators. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or its CGU is the higher of its value in use and its fair value less cost to sell. Value in use is determined by discounting the estimated future cash flows of the asset or the CGU to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized if the carrying amount of an asset or CGU exceeds its recoverable value. Impairment losses are recognized in profit or loss. Impairment losses in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.





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**3.8 Employee Benefits**

**a) Post-Employment Benefits**

The company provides post-employment benefits through defined benefit plans as well as defined contribution plan.

**Defined Contribution Plan**

The defined contribution plan is a pension plan under which the company pays fixed contribution into an independent entity. The company has no legal or constructive obligations to pay for further contributions after its payment of the fixed contribution.

Contributions to the plan are recognized as an expense in the period that relevant employee services are received.

**Defined Benefit Plan**

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. The company is obliged by law to pay severance payment by reference to year of service for employees who served the company for more than 5 years when the employment contract is terminated. The amount payable is one-month final salary for the first year of service and one third of the final salary for the remaining year of services. The company does not set aside any plan asset for such obligation.

Management estimates the liability annually by using the projected unit credit method as the present value of the defined obligations at the reporting date adjusted for any past service cost not recognized. The discounting rate used is the current borrowing rate of the company on long term loans from government financial institution which is assumed to be proxy to a long-term corporate bond rate. The resulting expense is recognized through profit or loss or capitalized to inventory, as appropriate.

**b) Short-Term Benefits**

Short-term employee benefits are benefits expected to be paid in the short term and include salary and wages, bonuses, short term leave benefits, and other short-term allowances.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

**c) Termination Benefits**

Termination benefits are recognized as an expense when the company is legally or constructively obligated to compensate an employee for terminating employee's employment contract before normal retirement age. If benefits are expected to be payable more than 12-months after the reporting date, then they are discounted to their present value.

Management of Ethiopian Pulp and Paper S.C. estimates the defined benefit plan annually with some basic actuarial assumption. This is based on Proclamation No. 1156/2019, employee turnover rates, salary growth rate, expected date of termination, identification of eligible employees and relevant discount rate. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Discount factors are determined close to each year-end by reference to current incremental borrowing rate.





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The liability is computed using Projected Unit Method to determine the present value of its defined benefit obligations and the related current service cost and, interest expense. The liability is determined as a present value, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**3.9 Provisions**

Provisions are recognized, if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as borrowing cost.

**3.10 Government Grants/Assistance**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in systematically over the expected useful life of the related asset.

When the company receives grants of non-monetary nature, the asset and the grant are recorded at nominal amounts and released to income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

When the company gets assistance from the government which does not involve a direct transfer of economic resources, the nature and purposes of the assistance is disclosed.

**3.11 Income Taxes**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other component of Income (OCI)

**a) Current Income Tax**

Current Income Tax is the expected tax payable or receivable on taxable income or taxable loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects the uncertainty related to income taxes, if any. It is measured using the tax rates that are enacted, or substantially enacted at the reporting date.

Current tax assets and current tax liabilities are offset if, and only if, the company has a legally enforceable right to set off the recognized amounts; and it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.





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**b) Deferred Tax**

Deferred Tax is measured under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax assets and liabilities are measured using tax rates expected to apply to temporary differences when recovered or settled based on laws enacted or substantially enacted as of the reporting date.

Deferred Tax liabilities are recognized for all taxable temporary differences. Deferred Tax assets are recognized for all deductible temporary differences; the carry forward of unused tax credits; and unused tax losses, to the extent that it is probable that taxable profit will be available to recover the benefits.

Deferred tax assets and deferred tax liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities; and they relate to income taxes levied by the same taxation authority.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss, if any, is recognized outside profit or loss. Such deferred tax is recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

**c) Tax Exposures**

In determining the amount of current and deferred tax, the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**3.12 New Standards, amendments, interpretations issued but not yet effective as at June 30,2024**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There are no standards that are not yet effective that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. The following Accounting Standards and Interpretations are most relevant to the Company:





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**Amendments**

**Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it does not have a material impact on the company's financial statements.

**Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. This will be effective for annual reporting periods beginning on or after 1 January 2024. The Company will adopt the amendment on effective date.

**Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The company will adopt the amendment immediately.

**Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This amendment takes effect on annual reporting periods beginning on or after 1 January 2022. The Company shall adopt it from the indicated date.

**AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for De-recognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The company will assess the impact and implement accordingly.

**Definition of Accounting Estimates - Amendments to IAS 8**

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendment is effective for annual periods beginning on or after 1 January 2023, earlier application is permitted.





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The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors. The company shall consider the impact of the amendment and implement it.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgment. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardized information, or information that only duplicates or summarizes the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements. The amendment is effective for annual periods beginning on or after 1 January 2024. The company will check its account policy disclosures to be compliant to the amendment.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability. Changes to the initial recognition exception under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2023. The Company will implement the amendment from the effective date.

**4. Financial risk management**

**4.1. Introduction**

The Company's activities expose it to a variety of risks, including financial risk, credit risk, and interest rates risk. The Company's overall risk management programmed focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. Investment policies are in place, which help manage liquidity, and seek to maximize return within an acceptable level of interest rate risk.





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The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

**4.1.1. Risk management structure**

The Management has the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Company.

The Management has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and risk appetite. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to management.

The Management is responsible for translating and implementing the Company's risk management strategy, priorities and policies as approved by the CEO/BORD/EIH.

The Company's policy is that risk management processes throughout the Company are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Company

**4.1.2. Risk measurement and reporting systems**

The Company's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected regions. In addition, the Company measures and monitors the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

**4.1.3. Risk mitigation**

The Company uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigates, identified and approved for the Company, are documented for existing and new processes and systems.

The adequacy of these mitigates is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.

**4.2. Financial risk**

**Financial instruments by category**

The Company's financial assets are classified into the following categories: amortized at cost, at fair value through profit or loss and at fair value through OCI and the financial liabilities are classified into other liabilities at amortized cost.

Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Company's classification of its financial assets is summarized in the table below:





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	Notes	At fair value through profit or loss ETB	At amortized cost ETB	Total ETB
<b>30 June 2025</b>				
Cash and balances with banks	17	-	8,609,763.45	8,609,763.45
Investment securities	13	-	319,862.55	319,862.55
Trade receivables	15	-	17,773,285.43	17,773,285.43
Other assets excluding prepayments	15	-	4,908,965.15	4,908,965.15
		-	<b>31,611,876.58</b>	<b>31,611,876.58</b>
<b>30 June 2024</b>				
Cash and balances with banks	16	-	3,018,675.81	3,018,675.81
Investment securities – At amortized cost	13	-	280,532.64	280,532.64
Trade receivables	15	-	19,811,642.39	19,811,642.39
Other assets excluding prepayments	15	-	4,394,149.20	4,091,656.70
<b>Total financial assets</b>		-	<b>27,505,000.04</b>	<b>27,202,507.54</b>

### 4.3. Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk is trade receivables.

#### 4.3.1. Management of credit risk

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved by the executive management.

The table below shows the maximum exposure to credit risk for the Company's financial assets. The maximum exposure is shown gross before the effect of mitigation:

	ETB	ETB
Cash and balances with banks	8,609,763.45	3,018,675.81
Investment securities		
– At amortized cost	319,862.55	280,532.64
Trade receivables	17,773,285.43	19,811,642.39
Other assets excluding prepayments	4,908,965.15	4,394,149.20
	<b>31,611,876.58</b>	<b>27,505,000.04</b>



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**4.3.2. Credit quality analysis**

**(a) Credit quality of cash and cash equivalents**

The credit quality of cash and bank balances and short-term investments that were neither past due nor impaired at as 30 June 2023 and 30 June 2024 are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Company has no cash or cash equivalents that are held in foreign currency.

**(b) Credit quality of trade and other receivables**

	Neither past due nor impaired ETB	Past due but not impaired ETB	Individually impaired ETB	Total ETB
<b>30 June 2025</b>				
<b>Trade receivables</b>				
From foreign trade receivable	-	-	-	-
From local trade receivable	-	17,773,285.43	-	17,773,285.43
<b>Other receivables</b>				
Staff advances	389,879.50	-	-	389,879.50
Other account receivables	6,641,913.81	-	-	6,641,913.81
<b>Gross</b>	<b>7,031,793.31</b>	<b>17,773,285.43</b>	<b>-</b>	<b>24,805,039.74</b>
Less: impairment allowance	-	-	(5,724,218.81)	(5,724,218.81)
<b>Net</b>	<b>7,031,793.31</b>	<b>17,773,285.43</b>	<b>(5,724,218.81)</b>	<b>43,885,899.67</b>
<b>30 June 2024</b>				
<b>Trade receivables</b>				
From local trade receivable	-	19,811,642.39	-	19,811,642.39
<b>Other receivables</b>				
Staff advances	422,534.49	-	-	422,534.49
Other account receivables	6,009,962.22	-	-	6,009,962.22
<b>Gross</b>	<b>6,432,496.71</b>	<b>19,811,642.39</b>	<b>-</b>	<b>26,244,139.10</b>
Less: impairment allowance	-	-	(5,724,218.81)	(5,724,218.81)
<b>Net</b>	<b>6,432,496.71</b>	<b>19,811,642.39</b>	<b>(5,724,218.81)</b>	<b>20,519,920.29</b>

**(i) 'Receivables - neither past due nor impaired**

The credit quality of the portfolio of loans and receivable that were neither past due nor impaired can be assessed by reference to the customer's ability to pay based on loss experience. Trade receivables that have been classified as neither past due nor impaired are assessed on a collective basis.





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Neither past due nor impaired

ETB  
7,031,793.31

30 June 2024

ETB  
6,432,497

(ii) 'Receivables- Past due But Not Impaired

Past due up to 30 days  
Past due up to 181 - 365 days  
Past due by 1 Year - 3 Years  
Past due by 3 - 6 Years  
Past due over 6 Years

ETB  
2,211,687.23  
6,309,916.82  
1,743,115.80  
107,762.87  
7,400,748.57  
17,773,285.43  
(5,724,219)

ETB  
1,126,401  
1,510,037  
1,743,116  
107,763  
15,324,326  
19,811,642  
(5,724,219)

Collective impairment

Receivables (net)

12,049,066.43

14,087,423

Receivables that have been classified as neither past due nor impaired; past due but not impaired and individually impaired are assessed on a collective basis.

(iii) Allowance for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred and expected losses in its receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowances, established for Companies of homogeneous assets in respect of losses that have been incurred and expected to incurred but have not been identified on receivables subject to assessment for impairment





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	ETB	30 June 2024 ETB
Incurred loss	5,724,218.81	5,724,218.81
Expected loss	—	—
	<u>5,724,218.81</u>	<u>5,724,218.81</u>

**4.3.3. Credit concentrations**

The Company monitors concentrations of credit risk by sector, location and purpose. An analysis of concentrations of credit risk at 30 June 2024 and 30 June 2025 is given below. The Company concentrates all its financial assets in Ethiopia.

	Public ETB	Private ETB	Total ETB
<b>30-Jun-25</b>			
Cash and balances with banks	8,609,763.45	-	8,609,763.45
Investment securities:			
- Amortized at cost	319,862.55	—	319,862.55
<b>Total Financial Assets</b>	<b><u>8,929,626.00</u></b>	<b>-</b>	<b><u>8,929,626.00</u></b>
<b>30-Jun-24</b>			
Cash and balances with banks	3,018,675.81	-	3,018,675.81
Investment securities:			
- Amortized at cost	280,532.64	—	280,532.64
<b>Total Financial Assets</b>	<b><u>3,299,208.45</u></b>	<b>-</b>	<b><u>3,299,208.45</u></b>

**4.4. Capital management**

The Company maintains an efficient capital structure of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To satisfy the requirements of its policyholders, regulators and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To allocate capital efficiently to support growth;

To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.





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To provide an adequate return to shareholders by pricing products commensurately with the level of risk. An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return, which is aligned to performance objectives and ensures that the Company is focused on the creation of value to shareholders.

**4.5. Fair value of financial assets and liabilities**

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

**4.5.1. Valuation models**

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation technique in which all significant inputs are directly or indirectly observable from market data.

In conclusion, this category is for valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**4.6. Fair value of financial assets and liabilities (Continued)**

**4.6.1. Valuation models (continued)**

Level 3: Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs). This category includes all assets and liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset or liability's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
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	<u>Carrying amount</u> <u>ETB</u>	<u>Fair value</u> <u>ETB</u>	<b>30 June 2024</b>	
			<u>Carrying amount</u> <u>ETB</u>	<u>Fair value</u> <u>ETB</u>
<b>Financial assets</b>				
Cash and balances with banks	8,609,763.45	8,609,763.45	3,018,676	3,018,676
Investment securities				
– Amortized at cost	319,862.55	319,862.55	280,533	280,533
Trade receivables	<b>17,773,285.43</b>	<b>17,773,285.43</b>	19,811,642	19,811,642
Other receivables	<u>6,641,913.81</u>	<u>6,641,913.81</u>	<u>6,009,962</u>	<u>6,009,962</u>
<b>Total</b>	<b><u>33,344,825.24</u></b>	<b><u>33,344,825.24</u></b>	<b><u>29,120,813</u></b>	<b><u>29,120,813</u></b>
<b>Financial liabilities</b>				
Trade payables	58,363,338.27	58,363,338.27	41,553,401	41,553,401
Borrowings	3,626,498.36	3,626,498.36	11,374,479	11,374,479
Other liabilities	<u>32,870,199.03</u>	<u>32,870,199.03</u>	<u>44,753,421</u>	<u>44,753,421</u>
<b>Total</b>	<b><u>94,860,035.66</u></b>	<b><u>94,860,035.66</u></b>	<b><u>97,681,300</u></b>	<b><u>97,681,300</u></b>

**4.6.2. Fair value methods and assumptions**

Loans and receivables including trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

**4.6.3. Valuation technique using significant unobservable inputs – Level 3**

The Company has no financial asset measured at fair value on subsequent recognition.

**4.6.4. Transfers between the fair value hierarchy categories**

During the reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

**4.7. Offsetting financial assets and financial liabilities**

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
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**5. SALES REVENUE**

	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
Board Paper	81,238,907.04	83,780,364
Box Raw Material	22,954,976.64	12,115,880
Corrugated box	43,788,369.76	29,946,923
Printing and Writing	285,799.20	607,368
Wrapping Paper	26,964.38	18,344
	<u>148,295,017.02</u>	<u>126,468,879</u>

The above revenues are recognized based on the performance obligation satisfied by the company as per the sales contracts it entered during these years. The sales contract specifies that the company should produce and deliver products to the warehouses of each customer.

**6. COST OF PRODUCTS/GOODS SOLD**

	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
Raw materials consumed	57,143,139.58	62,394,789
Salaries, wages and related benefits	19,656,715.00	17,939,863
Light, power and water	8,576,736.03	8,968,877
Repairs and maintenance-Plant and Equipment	4,275,580.45	2,089,328
Materials and supplies	10,465,940.22	8,824,797
Insurance	208,968.54	258,954
Depreciation	9,450,634.07	8,747,691
Other	944,442.68	699,392
	<u>110,722,156.57</u>	<u>109,923,691</u>
Increase/Decrease in stock of FG & Semi-FG	4,094,534.94	(15,223,915)
	<u>114,816,691.51</u>	<u>94,699,776</u>





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**7. OTHER INCOME**

	ETB	30 June 2024 ETB
Sales (Nissan Double Pick Up & Fiat Bus)	-	551,147
Sales Of Tender Document	33,000.00	20,600
House Rental Income	20,090.00	21,400
Other Income	8,068,728.87	839,768
Other Income-From Furnace sales	6,700,834.80	-
Land Rental Other Income	2,099,900.00	380,000
Agricultural Income	496,301.85	486,828
Box File & Box File	1,220,815.50	1,360,630
Roll Grinding Service	360,000.00	360,000
	<b>18,999,671.02</b>	<b>3,469,227</b>

**8. GENERAL & ADMINISTRATION EXPENSES**

	ETB	30-June 2024 ETB
Salaries and related benefits	10,840,686.22	8,547,799
Depreciation	3,125,569.31	2,785,480
Repairs and maintenance:-Machinery, Vehicles and Others	1,866,006.23	2,047,006
Fuel and lubricant	2,916,795.45	1,432,332
Municipality taxes	1,511,277.70	1,977,723
Medical	527,456.30	709,807
Insurance	362,013.70	330,538
Repairs and maintenance:-Building	192,167.36	199,004
Stationery and office supplies	361,506.35	247,658
Postage, telephone and fax	290,984.66	225,218
Perdiem, Travel and Transport	1,169,284.63	503,796
Electricity	227,205.91	141,022
Advertising	132,369.93	60,045
Inspection Fee (Vehicle ,Cash Register ,Machine)	63,938.16	31,255
Consultancy Fee	78,260.87	472,696
Meal And Entertainment	645,372.79	613,031
Penalty & Minister Of Revenues	1,500.00	1,000
Donation	65,500.00	383,640
Training Fee	2,251.15	1,620
Kaizen -building materials	1,217.4	-
Miscellaneous	1,085,152.86	820,223
Agriculture Project	203,624.54	384,843
Kolidier limatsiral (work)	1,147,626.00	-
	<b>26,817,767.52</b>	<b>21,915,733</b>





ETHIOPIAN PULP & PAPER SHARE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS  
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9. SELLING & DISTRIBUTION EXPENSES

	ETB	30-June 2024 ETB
Salaries and related benefits	3,264,419.81	3,184,190
Travel and transport	403,913.83	1,119,021
Office rent	-	266,087
Depreciation	496,902.75	446,615
Insurance	249,175.02	158,410
Office supplies	73,118.42	176,319
Repair and maintenance	129,399.93	151,116
Postage, telephone and fax	38,382.05	33,999
Advertising	95,678.96	70,542
Medical	65,820.50	51,263
Fuel and lubricant	306,376.70	252,531
Meal And Entertainment	44,364	15,917
Miscellaneous	943,909.47	189,364
	<u>6,111,461.44</u>	<u>6,115,376</u>

10. FINANCIAL CHARGES

	ETB	30 June 2024 ETB
Interest on overdraft	5,003,310	3,708,784
Interest on Term Loan	207,183.52	-
Loan administration charges	583,765.40	46,781
Financial cost	-	427,060
	<u>5,794,258.92</u>	<u>4,182,714</u>

11. AUDIT & BOARD FEE

	ETB	30 June 2024 ETB
Audit Fee	254,585.00	127,085
Board of Directors' Fee	267,000.00	473,500
	<u>521,585.00</u>	<u>600,585</u>





ETHIOPIAN PULP & PAPER SHARE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS  
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FOR IFRS PURPOSE

12. PROPERTY, PLANT & EQUIPMENT(ETB)

	30 June 2023		30 June 2024		30 June 2025	
	ETB	ETB	ETB	ETB	ETB	ETB
Freehold Land	3,185,107	-	-	-	-	3,185,107.25
Buildings and Roads	143,805,307	-	-	-	-	145,449,306.57
Machinery and equipment	208,176,724	218,065.34	208,394,789.60	1,644,000.00	-	215,635,881.85
Motor vehicles	5,182,628	7,295,364.65	12,477,992.46	7,241,092.25	-	13,340,627.80
Office furniture and fixtures	2,910,895	11,739.13	2,922,633.78	862,635.34	-	2,922,633.78
Tools	534,220	-	534,220.00	46,921.74	-	581,141.74
Computer and printer	3,413,431	111,172.01	3,524,602.48	234,782.6	-	3,759,385.08
Constructions in progress	760,648	-	760,647.51	-	-	760,647.51
	367,968,958	7,636,341.13	375,605,299.65	10,029,431.93	-	385,634,731.58

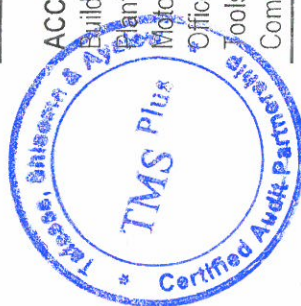
ACCUMULATED DEPRECIATION

Buildings and Roads	34,052,723	3,934,438.41	-	37,987,161.12	-	41,937,577.86
Plant and Machinery	53,400,446	6,946,494.12	-	60,346,940.55	-	67,376,425.48
Motor vehicles	2,806,628	641,463.79	-	3,448,092.00	-	4,753,695.75
Office furniture and fixtures	1,920,257	291,187.30	-	2,211,444.11	-	2,503,879.39
Tools	534,220	-	-	534,220.00	-	542,833.03
Computer and printer	2,889,364	166,203.11	-	3,055,567.28	-	3,542,291.58
	95,603,638	11,979,786.73	-	107,583,425.06	13,073,278.3	120,656,703.09

NET BOOK VALUE

Assets Pledged as security	272,365,320	268,021,874.59	-	264,978,028.49
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The company is Building and machineries are given as collateral to the overdraft facility obtained from Commercial Bank of Ethiopia.





Non-Pooling	Building	Computers	Other assets	Construction in Progress
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**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
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**13. INVESTMENT SECURITY**

Government securities represent Great Renaissance Dam Saving Bond. It bears interest income of 5.5% and 7.5% per annum changed 14% to 15% current year.

	<u>ETB</u>	<u>30-Jun-24</u> <u>ETB</u>
Investment in Ethiopian Renaissance Dam Bond Beginning	280,532.64	247,328
Interest Income on Bond	39,329.91	33,204
Loss on Bond Value	-	-
<b>Total Amount</b>	<b><u>319,862.55</u></b>	<b><u>280,533</u></b>

Investment securities at amortized cost:

	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
<b>At amortized cost</b>		
Government securities	<u>301,529.34</u>	<u>262,199</u>
<b>Maturity analysis</b>		
Current	-	-
Non-current	<u>301,529.34</u>	<u>262,199</u>
	<u>301,529.34</u>	<u>262,199</u>





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
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**14. STOCK& GOODS IN TRANSIT**

		<u>30 June 2024</u>
	<u>ETB</u>	<u>ETB</u>
Finished Products	31,106,433.32	34,438,467
Semi-Finished Products	19,714,284.42	21,680,423
Work in process	2,694,040.55	1,490,672
Raw Materials	94,683,882.03	91,273,443
General stores	58,133,669.14	44,114,999
Agriculture material Stock And It's WIP	<u>119,409.89</u>	<u>62,356</u>
	206,451,719.35	193,060,360
<u>Less: Provision for obsolescence</u>	<u>(2,634,118.84)</u>	<u>(2,634,119)</u>
	203,817,600.51	190,426,241
Goods in transit	1,187,337.63	16,550,558
Goods in transit - Expansion Project	-	-
	<u>205,004,938.14</u>	<u>206,976,799</u>

The Company used various types of raw materials/Direct and Indirect Materials:-such as Pulp, Recycle Paper, Chemicals.../ for the production of different types of papers. The company can get the recycle paper through purchasing from the supplier in money or through donation from government or non-government organizations.

In year 2024/25 the company obtained a recycle paper that have an approximately average weight of total 1,049,749.52kg Or 1,049.75 ton through donation from government and non-government organization. Not all the recycle paper that the company obtained through donation was consumed with in year. These means that some portion of the recycle paper obtained through donation held on stock are presented on the statement financial position as raw materials while the other consumed portion of the recycle paper were taken to the statements of profit or loss and other comprehensive income as cost.

The items that were in the Goods-in-transit expansion account were all received and capitalized as plant & machinery in the Property, Plant and Equipment account.





ETHIOPIAN PULP & PAPER SHARE COMPANY  
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15. TRADE& OTHER RECIEVABLES

	ETB	30 June 2024 ETB
Trade debtors	17,370,492.06	19,811,642
Sundry debtors	1,568,296.19	1,864,490
Advance payments to suppliers	1,330,299.72	1,724,300
Staff debtors	389,879.50	725,027
VAT Receivable	2,655,917.56	1,804,632
Deposits	2,122,828.16	2,340,840
	25,437,713.19	28,270,931
Less: Provision for doubtful debts	(5,724,218.81)	(5,724,219)
	<u>19,713,494.38</u>	<u>22,546,712</u>

Trade receivable after taking the effect of impairment has the following balance:

	ETB	30 June 2024 ETB
Trade receivables	17,370,492.06	19,811,642
<u>Less:</u> Provision for doubtful debts	(3,082,920)	(3,082,920)
	<u>14,287,572.06</u>	<u>16,728,722</u>

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has recognized an allowance for expected credit loss because there has been a significant change in credit quality and the amounts are assumed as not recoverable. Age of receivables that are past due but not impaired:





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Average age (days)

0 - 180 days

181 - 365 days

1 Year - 3 Years

3 Year - 6 Years

Above 6 Years

Total

**ETB**

2,211,687.23

6,309,916.82

1,743,115.80

107,762.87

7,400,787.57

17,773,285.43

**30 June 2024**

**ETB**

1,126,401

1,510,038

1,743,116

107,763

15,324,326

19,811,642

15(a) the movements in impairment allowance for trade receivable is analyzed below:

Balance at the beginning of year

Amount recovered during the year

**Balance at end of the year**

**ETB**

3,082,920

-

3,082,920

**30 June 2024**

**ETB**

3,082,920

-

3,082,920





ETHIOPIAN PULP & PAPER SHARE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS  
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15(b) other assets

	ETB	30 June 2024 ETB
Sundry debtors	1,568,296.19	1,864,490
Advance payments to suppliers	1,330,299.72	1,724,300
Staff debtors	389,879.50	725,027
VAT Receivable	2,655,917.56	1,804,632
Deposits	<u>2,122,828.16</u>	<u>2,340,840</u>
	<b>8,067,221.13</b>	<b>8,459,289</b>
Less: Provision for doubtful debts	<u>(2,641,299)</u>	<u>(2,641,299)</u>
	<b><u>5,425,922.13</u></b>	<b><u>5,817,990</u></b>
<b>Maturity analysis</b>		
Current	<b><u>5,425,922.13</u></b>	<b><u>5,817,990</u></b>
Non- current	<u>                    </u>	<u>                    </u>
	<b><u>5,425,922.13</u></b>	<b><u>5,817,990</u></b>

16. WITHHOLDING TAX IN EXCESS OF PROFIT TAX

	ETB	30 June 2024 ETB
Balance brought forward as per - GL	4,845,408.41	5,058,200
Less: Withholding tax offset	<u>(3,272,492.95)</u>	<u>(2,509,173)</u>
	1,572,915.46	2,549,027
Add: Withholding tax during the year	<u>3,221,316.59</u>	<u>2,296,582</u>
Ending balance as 30 June 2025 as per -GL	<b>4,794,232.05</b>	<b>4,845,408</b>
Less: Withholding tax receivable Closed to Profit Tax	<u>(3,221,316.59)</u>	<u>(2,296,582)</u>
	<b><u>1,572,915.46</u></b>	<b><u>2,548,827</u></b>
<b>Net Withholding Tax Receivable</b>		





ETHIOPIAN PULP & PAPER SHARE COMPANY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2025

17. CASH & CASH EQUIVALENTS

Cash at bank- CBE Finfinnee Branch Alternative Account  
Cash a Bank – CBE Wonji Branch  
Cash a Bank – CBE Adama Branch  
Cash at bank –Awash Bank Wonji Branch  
  
Petty cash –Wonji

ETB  
  
207,850.30  
1,446,267.99  
9,990.16  
6,945,655.00  
8,609,763.45  
  
8,609,763.45

30 June 2024  
ETB  
1,826,448  
1,182,238  
9,990  
0.00  
3,018,676  
  
3,018,676

Maturity analysis of the above balance is shown below:

**Maturity analysis**  
Current  
Non- current

ETB  
8,609,763.45  
  
8,609,763.45

30 June 2024  
ETB  
3,018,676  
  
3,018,676





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

For the purpose of the cash flow statement, cash and cash equivalent is made up of the following:

	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
Cash at bank- CBE Finfinne Branch Alternative Account	207,850.30	1,826,448
Cash at bank- CBE Wonji Branch Account	1,446,267.99	1,182,2378
Cash a Bank –CBE Adama Branch	9,990.16	9,990
Cash at Bank–Awash Bank Wonji Branch	6,945,655.00	-
	<b>8,609,763.45</b>	<b>3,018,6756</b>
Cash and bank overdraft-Ending Balance-June 30,2025	(27,824,442.61)	(39,652,942)
Cash &Bank Overdraft-Closing Balance-30 June 2025	<b>(19,214,679.16)</b>	<b>(36,634,266)</b>

**18, ORDINARY SHARE CAPITAL**

The Company has authorized and fully paid capital as follows. The shares have equal voting rights and share equal in the distribution of profit.

	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
<b>Authorized:</b>		
Ordinary Shares with par value of ETB 50 each	10,000,000.00	10,000,000
<b>Issued and fully paid:</b>		
Opening balance of Ordinary shares fully paid	165,801,312.13	10,000,000
Share Capital EBT Paid Adjustment of Long		
Term Loan PPES	0.00	105,458,848
Share Capital EBT Paid Adjustment of UN Allocated Profit	0.00	50,342,464
	<b>165,801,312.13</b>	<b>165,801,312</b>

**19, LEGAL RESERVE**

The legal reserve is a statutory reserve to which no less than one-twentieths of the annual net profit of the Company which is transferred to the reserve account until such fund amounts to one-fifth of the capital of the Company.





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

		30 June 2024
	ETB	ETB
Balance at the beginning of the year	2,000,000.00	2,000,000
Transfer from retained earnings (note 20)	<u>334,535.19</u>	<u>0.00</u>
At the end of the year	<u>2,334,535.19</u>	<u>2,000,000</u>

**20. RETAINED EARNINGS**

- a) The retained earnings from operational results are as follows:

	ETB	30 June 2024 ETB
Balance at the beginning of the year	(27,421,628.87)	29,219,384
Ethiopian Electric Utility back pay consumption year of 2023 and 2024 Reff. letter- 243/220/2017 Date-4/07/2017 9/9 <sup>th</sup>	(6,704,151.34)	(5,875,932)
Adjustment related to Withholding tax not refunded by the tax authority (based on the decision made by Ministry of Finance)	<u>(1,572,540.87)</u>	<u>(1,858,964)</u>
Company has authorized and paid capital	-	(50,342,464)
Profit For the year before legal reserve plus total comprehensive income	8,927,441.76	1,436,346
Current year transferred to legal reserve	<u>(334,535.19)</u>	<u>0.00</u>
	<u>(27,105,414.31)</u>	<u>(27,421,629)</u>

- b) First time IFRS adoption revaluation reserve

Birr 192,906,436 resulting from revaluation of property, plant and equipment for the purpose of IFRS deemed cost determination at the time of transition to IFRS is separately disclosed to comply to AABE's instruction





**ETHIOPIAN PULP & PAPER SHARE COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2025**

**21. TRADE AND OTHER PAYABLES**

	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
<b><i>Other financial liabilities</i></b>		
Trade Payable	42,249,102.27	27,821,400
Taxes and Pension Contribution	3,122,458.31	1,959,122
Accruals	566,492.86	2,480,575
Staff payables	-	-
Sundry payables	1,694,891.58	1,500,441
<b><i>Other non-financial liability</i></b>		
Advances from customers	10,284,757.63	8,816,578
Bid and Performance Bond	408,367.30	453,687
Advance Receipts	37,268.32	38,288
	<b><u>58,363,338.27</u></b>	<b><u>43,070,093</u></b>

The company enters contract with different customers to produce and deliver products. As a result, the trade and other payable included contract liabilities reflected above as advance from customers.

Value added tax is shown in the tax and pension liabilities above. The VAT paid on inputs is shown as receivable under debtors. The net amount to be paid to the tax office is shown below:

	<u>ETB</u>
VAT on output (VAT Receivable)	2,655,917.56
<b><u>Less:</u></b> VAT on input (VAT Payable on sales) as June 2025	<b><u>(2,414,083.46)</u></b>
<b>Net VAT payable</b>	<b><u>241,834.10</u></b>

Balance of trade payables after considering the impact of impairment is shown below. Maturity analysis of the trade and other payable balance is also shown below:





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**Trade payables**

Trade payables

Less: Impairment allowance

ETB

42,249,102.27

42,249,102.27

30 June 2024

ETB

27,821,400

27,821,400

**Maturity Analysis of trade and other payables**

Current

58,363,338.27

41,553,401

Non- current

58,363,338.27

41,553,401

**22. BANK OVERDRAFT**

The Company has obtained bank overdraft facility from the following banks.

Bank overdraft from Commercial Bank of Ethiopia, to a maximum amount of ETB 46,000,000 bearing interest at 15% secured by Company Building

ETB

27,824,442.61

30 June 2024

ETB

39,652,942





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**23. DEFERRED TAX ASSET AND LIABILITY**

	ETB	30 June 2024 ETB
Deferred Tax Liability carried forward	70,278,602.91	72,185,111
Credit/Debit (Charge) to deferred /L 2025	(2,197,408.14)	(1,906,508)
<b>Deferred Tax Liability</b>	<b>68,081,194.77</b>	<b>70,278,603</b>

Deferred income tax assets and liabilities are attributable to the following items for the reporting periods ended on 30 June 2024 and 2025:

	30 June 2024 ETB	Movement credit (debit) to profit & loss ETB	30 June 2025 ETB
Property, Plant and Equipment	(71,625,011.69)	2,030,089.99	(69,594,921.70)
Deferred Charge	-	-	-
Annual Leave Payable	799,603.38	33,648.11	833,251.49
Severance Pay Liability	730,540.32	(50,064.88)	680,475.44
Prior Year Adjustment	(183,734.92)	183,734.92	-
<b>Deferred Tax Asset (Liability)</b>	<b>(70,278,602.91)</b>	<b>2,197,408.14</b>	<b>(68,081,194.77)</b>

**23.1 Deferred Tax Liability for - (PPE/Fixed Assets) as 30 June 2025**

	30 June 2024
Tax Base (Note 12.1)	32,994,956.16
IFRS Purpose (Note 12)	264,978,028.49
	(231,983,072.33)
<b>Deferred Tax Liability - 30%</b>	<b>(69,594,921.70)</b>

**23.2 Deferred Tax Asset- Annual Leave payable and Severance Payment**

**A. Deferred Tax Asset/Liability - Annual Leave payable**

	30 June 2024
Tax Base	-
IFRS Purpose (Note 24.1)	2,777,504.96
	2,777,504.96
<b>Deferred Tax Assets - 30%</b>	<b>833,251.49</b>





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**B, Deferred Tax Asset/Liability - Severance Payment**

**30 June 2024**

Tax Base	-	-
IFRS Purpose (Note 24.2)	2,268,251.46	2,435,134
	<u>2,268,251.46</u>	<u>2,435,134</u>
<b>Deferred Tax Asset - 30%</b>	<b>680,475.44</b>	<b>730,540</b>

**24. EMPLOYEE BENEFITS**

**24.1 ANNUAL LEAVE PAYABLE**

	ETB	30 June 2024 ETB
Annual Leave Payable beginning balance	<u>2,665,344.61</u>	2,570,208
<u>Less:</u> Settlement and adjustment during the year	<u>(1,221,222.65)</u>	<u>(1,260,558)</u>
	<u>1,444,121.96</u>	<u>1,309,650</u>
<u>Add:</u> Additional accrued during the year	<u>1,333,383.00</u>	<u>1,355,694</u>
Annual Leave Payable	<u><b>2,777,504.96</b></u>	<u><b>2,665,345</b></u>

**24.2 DEFINED BENEFIT PLAN – SEVERANCE PAY**

The Company operates an unfunded severance pay plan for its employees who have served the Company for five years and above; and who are below the normal retirement age. The final payout is determined by reference to current benefits level (monthly salary) and number of years in service. It is calculated as one-month salary for the first year in employment plus one-third of monthly salary for each subsequent year in employment. The amount payable will not exceed in no way a 12-month final monthly salary. Below are the details of movements and amounts recognized in the financial statements?





Liability recognized in the financial statements (ETB)

	ETB	30 June 2024 ETB
Severance pay liability Beginning balance	2,435,134.41	2,536,013
Less: Settlement during the year	(335,030.03)	(351,761)
<u>Add: Severance Pay Liability for the year</u>	<u>2,100,104.38</u>	<u>2,184,252</u>
	168,147.08	250,883
Severance Pay Liability	<u>2,268,251.46</u>	<u>2,435,134</u>

Amounts Recognized in Profit or Loss

	ETB	30 June 2024 ETB
Current Service Cost	(345,638.94)	(234,320)
Finance Cost	513,786.02	463,438
	<u>168,147.08</u>	<u>229,118</u>

The following significant assumptions were made in determining the severance pay liability.

	ETB	30 June 2024 ETB
Discount Rate Per Annum/CBE/	15%	14.50%
Salary Increases on Average at	7.24%	6.58%





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**25 LONG TERM LOAN**

	ETB	30 June 2024 ETB
Loan from Commercial Bank of Ethiopia (note I)	-	7,747,981
Loan from Ministry of Finance (note II)	3,626,498.36	3,626,498
	<u>3,626,498.36</u>	<u>11,374,479</u>
	<u>3,626,498.36</u>	<u>11,374,479</u>
<u>Maturity Analysis</u>		
Current maturity	-	-
Long term	3,626,498.36	3,626,498
	<u>3,626,498.36</u>	<u>3,626,498</u>

**Note I** - Represents approved loan for a total of ETB 30,000,000 from Commercial Bank of Ethiopia, to be used for LC Settlement. The loan is repaid and accomplished in quarterly installments maturity date in June 2025. It bears interest at a rate of 15% and is secured by the share company's Factory and Office Building. The movement is as follows:

**Note II** - Represents approved loan from Ministry of Finance, to be used for factory activity. The loan is secured by the share company's Factory and Office Building.

	ETB	30 June 2024 ETB
Balance at the beginning of the year 2025	7,747,980.55	-
Additional loan received	-	7,747,981
Settlement made during the year	7,747,980.55	-
End balance June 30/2025	<u>0.00</u>	<u>7,747,981</u>

**26 AMORTIZED INTEREST ON GOVERNMENT BOND**

	ETB	30 June 2024 ETB
Other Income from E.R.D. Bond	<u>39,329.91</u>	<u>33,204</u>





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**27 TAXATION**

	ETB	30 June 2024 ETB
Net Profit/Loss Before Taxation	13,232,923.65	2,423,922
<b>Add back Disallowed Expense:-</b>		
Depreciation expenses - IFRS	13,073,278.03	11,979,787
Entertainment	689,736.79	628,948
Donation	65,500.00	383,640
Penalty	1500.00	1,000
Accrued severance expense	168,147.08	250,883
Accrued annual leave expense	<u>1,333,383.00</u>	<u>1,355,694</u>
	<b>28,564,468.55</b>	<b>17,023,873</b>
 <b>Less:-</b> Allowed depreciation expenses -GAAP	(6,306,311.40)	(5,653,928)
Severance actually paid during the year	(335,030.03)	(351,761)
Annual leave actually paid during the year	<u>(115,727.34)</u>	<u>(1,260,558)</u>
 <b>Taxable profit</b>	<b><u>21,807,399.78</u></b>	<b><u>9,757,627</u></b>
 <b>Profit tax payable (30%)</b>	<b>6,542,219.93</b>	<b>2,927,288</b>
Less: Withholding tax receivable	<u>(3,221,316.59)</u>	<u>(2,296,582)</u>
 <b>Profit Tax payable</b>	<b><u>3,320,903.34</u></b>	<b><u>630,707</u></b>

**28 RELATED PARTY TRANSACTIONS**

The Company is a share company owned 70% by the government and 30% by International Financial Services. It entered in to a number of transactions with related parties in the normal course of business. These are disclosed below:

**Key Management compensation**

Key management has been determined to be the members of the Board of Directors and the Executive Management of the Company. Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to the post-employment benefit plans. The compensation paid or payable to key management is shown below:



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	<u>ETB</u>	<u>30 June 2024</u> <u>ETB</u>
Short Term benefits at the end of the year/ B.S./June salary	<u>1,674,815.88</u>	<u>1,398,970</u>
Post-employment benefits/11% pension/	<u>184,229.75</u>	<u>153,887</u>
Directors allowance	<u>267,000.00</u>	<u>473,500</u>

There were no sales or purchase of goods between the company and key management personnel as at 30 June 2025.

**29 CONTINGENCY & COMMITMENT**

The company has enter to purchase commitment of raw materials, chemicals, spare parts and others due to permit of CBE for foreign currency. Exchange rate USD75, 200 USD 48, 000, USD71, 872.5, USD 14,350 & USD 45,900. As a result, there are foreign exchange rate on years 2025.

**30 GOING CONCERN ASSUMPTION**

Similarly, the war in Ukraine, started in 2023, triggered number economic issues. The situation together with potential fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, availability of local materials and services and access to local resources will have indirect consequences, for instance, as a result of exposure to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn. The management assessed the impact on the Enterprise's activities and on its going concern assumption and it has determined that, although affecting its import of inputs; do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Management of the Company has concluded on the appropriateness of the use of the going concern basis of accounting based on the assessment made to the forcible future.

**31 EVENTS AFTER THE REPORTING PERIOD**

In the opinion of the management, there were no events after the reporting period that have a material effect on the state of affairs of the Company on the statement of financial position as at June 30, 2025 and on the statement of profit or loss and other comprehensive income for the period ended on that date.

