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AUDIT SERVICE CORPORATION

ETHIOPIAN INDUSTRIAL INPUTS DEVELOPMENT ENTERPRISE

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2023

Ethiopian Industrial Inputs Development Enterprise
Independent Auditor's Report and Annual Financial Statements
Contents
For the year ended 30 June 2023

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Ethiopian Industrial Inputs Development Enterprise
 Independent Auditor's Report and Annual Financial Statements
 Board of directors, management, professional advisers and registered office
 For the year ended 30 June 2023

<u>Board of Directors</u>	<u>Official Designation</u>	<u>Date of Appointment to current positions</u>
1 H.E. Ato Melaku Alebel	Chairperson	July 22, 2024
2 Ato Ahmed Tussa	Vice Chairperson	March 22, 2022
3 Ato Shewangezaw Mamo	Member	January 01, 2023
4 Ato Geremew Keno	Member	January 01, 2023
5 Ato Tsefaye Tulu	Member	January 01, 2023
6 Ato Efreem W/Silase	Member	January 01, 2023
7 Dr. Milikesa Jagama	Member	January 01, 2023
8 W/o Alemgena Zerihun	Member	January 01, 2023
9 Ato Bekele Tilahun	Member	January 01, 2023
10 W/o Rahel Tesfaye	Member	January 01, 2023

Executive Management

1 Dawit Adane Teka	Chief Executive Officer	September 26, 2025
2 Yonas Zeleke Asegdew	Head, Office of the Chief Executive Officer	October 10, 2025
3 Zewdu Kebede	Deputy Chief Executive Officer of Industrial Inputs Development, Procurement and Sales Sector	November 01, 2021
4 Abebaye Gezahegne	Deputy Chief Executive Officer of Industrial Outputs Product Procurement and Sales Sector	July 08, 2024
5 Habtamu Timotwos	Deputy Chief Executive Officer of Resource Management and Technical Sector	July 08, 2024
6 Yigalem Eneyew	Deputy Chief Executive Officer of Marketing, Customer Service and Districts Sector	February 09, 2021

Independent auditors

FDRE Audit Service Corporation
 P.O.Box 5720
 Yeka Sub City, Addis Ababa, Ethiopia

Registered office

Ethiopian Industrial Inputs Development Enterprise
 Arada Sub City, Wereda 06, HN, 027
 Addis Ababa, Ethiopia

Principal banker (s)

Commercial Bank of Ethiopia,
 Churchil Road, P.O.Box 255
 Addis Ababa, Ethiopia

Ethiopian Industrial Inputs Development Enterprise
Independent Auditor's Report and Annual Financial Statements
Report of the Board of Directors
For the year ended 30 June 2023

Incorporation and supervising authority

Ethiopian Industrial inputs Development Enterprise (EIIDE) is an autonomous public Enterprise established under the Council of Ministers Regulation No. 328/2014. EIIDE is a state owned enterprise and governed by Public Enterprise Proclamation No 25/1992.

The Enterprise is under the supervision and ownership of the Ethiopian Investment Holding (EIH) for the reporting year. The Board of directors report to EIH.

The address of its registered office and principal place of business is Addis Ababa, Arada Sub City, Woreda 06 House Number 027. The Enterprise also operates outside of its registered address across the Country.

Principal activities

The Enterprise's principal activities are the supply of industrial inputs through import, manufacturing and merchandising.

Performance

The Enterprise financial performance for the financial year end 30 June 2023 with comparative year is presented below:

	30 June 2023	30 June 2022
	ETB	ETB
Revenue	<u>4,278,518,736</u>	<u>4,183,979,659</u>
Profit before income tax	<u>463,818,714</u>	<u>122,778,856</u>
Business income tax charge	<u>140,827,934</u>	<u>74,695,667</u>
Net profit after tax	<u>322,990,780</u>	<u>48,083,189</u>

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

Signed on behalf of the Board of Directors by:

H.E. Ato Melaku Alebel
Chairperson of the Board of Directors

Ethiopian Industrial Inputs Development Enterprise
Independent Auditor's Report and Annual Financial Statements
Statement of managements' responsibilities
For the year ended 30 June 2023

In accordance with the Financial Reporting Proclamation No. 847/2014 and the Directive issued by the Accounting and Auditing Board of Ethiopia (AABE), the Enterprise is required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS).

The management are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and with the requirements of the Commercial Code of Ethiopia 2021, and for such internal controls as management determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the IFRS and in the manner required by the Commercial Code of Ethiopia 2021. The management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Enterprise and of its operating results. The management further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

The management further accept 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.

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

Signed on behalf of the Board and Management by:

H.E. Ato Melaku Alebel
Chairperson of the Board of Directors

Dawit Adane
for **Chief Executive Officer**



Dawit Adane Teka
Chief Executive Officer

**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN INDUSTRIAL INPUTS DEVELOPMENT ENTERPRISE**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Ethiopian Industrial Inputs Development Enterprise (the Enterprise), which comprise the statement of financial position as at 30 June 2023, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for effects and possible effects of the matters described in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Enterprise as at 30 June 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1. A Suspense Current Account, with a balance of Birr 135,320,666, has been maintained as a contra account for multiple transactions. These include de-recognition of long-outstanding debtor balances, adjustments to creditors, and changes in inventory valuations. Suspense account by its very nature being temporary account was in this case utilized for dumping unidentified transactions having consequential effect of misstating inventory, debtor and creditor accounts reflected on the financial statements.
2. A prior period adjustment was recorded in de-recognition of value added tax and withholding tax recoverable amounting to Birr 519,790,496 and Birr 284,529,547, respectively. These adjustments were charged against IFRS Re-measurement account within the equity section; which rather should have been prior period adjustment to be corrected retrospectively against opening balance of retained earnings. Although the treatment noted does not affect the total equity, overall performance, or cash flows for the period, this in our opinion materially affects presentation, classification, and comparability of equity, specifically retained earnings was misstated by the above adjustments diverted to re-measurement account.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN INDUSTRIAL INPUTS DEVELOPMENT ENTERPRISE (continued)**

Report on the Audit of the Financial Statements (continued)

Basis for Qualified Opinion (continued)

3. Adjustments to receivables, inventory and creditor accounts was made to increase in retained earnings by net amount of Birr 19,269,162. However, sufficient appropriate audit evidence to substantiate these adjustments was not made available. Furthermore, the opening balances of prior period equity accounts were not correctly carried down, or adjustments were not properly reflected in the accounting records. In consequence, we were unable to determine whether the restatements were appropriate and the account balances involved were fairly stated.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Those matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified Opinion* section of our report, we have determined no other matters to be the key audit matters to be communicated in our report.

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

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

In preparing the financial statements, management is responsible for assessing the Enterprise'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 Enterprise or to cease operations, or has no realistic alternative but to do so.

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

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN INDUSTRIAL INPUTS DEVELOPMENT ENTERPRISE (continued)**

Report on the Audit of the Financial Statements (continued)

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.

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

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

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF ETHIOPIAN INDUSTRIAL INPUTS
DEVELOPMENT ENTERPRISE (continued)**

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is W/ro Kokeb Sime.

Audit Service Corporation

January 1, 2026

Ethiopian Industrial Inputs Development Enterprise
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Notes	2023 Birr	2022 Birr
Revenue	15	4,278,518,736	4,183,979,659
Cost of sales	17	(3,384,892,647)	(3,592,358,003)
Gross profit		893,626,089	591,621,656
Other income	18	20,483,618	7,219,057
Selling and distribution expenses	19	(131,846,368)	(88,841,278)
General and administrative expenses	20	(334,298,056)	(419,070,043)
Operating profit		447,965,283	90,929,393
Finance income	21	17,435,582	34,221,052
Finance costs	21	(1,582,151)	(2,371,589)
Profit before business income tax		463,818,714	122,778,856
Income tax expense	13.2	(140,827,934)	(74,695,667)
Profit for the year		322,990,780	48,083,189
Other comprehensive income		-	-
Total comprehensive (loss) income for the		322,990,780	48,083,189

The notes on pages 9 to 45 are an integral part of these financial statements.

Ethiopian Industrial Inputs Development Enterprise
Statement of financial position
As at 30 June 2023

	Notes	30 June 2023 Birr	30 June 2022 Birr
Assets			
Non-current assets			
Property, plant and equipment	3	2,038,324,779	1,173,249,085
Investment securities	4	896,231	853,553
		2,039,221,010	1,174,102,638
Current assets			
Inventories	5	562,523,365	653,091,683
Trade and other receivables	6	867,285,494	2,289,889,861
Cash and cash equivalents	7	812,600,701	732,682,067
		2,242,409,560	3,675,663,611
Total assets		4,281,630,570	4,849,766,249
Equity and Liabilities			
Equity			
Capital	8	1,306,042,415	1,306,042,415
IFRS Remeasurment reserve	9	686,074,909	1,484,749,916
Retained earnings		458,377,146	190,605,374
Legal reserve	11	40,082,063	25,988,812
		2,490,576,533	3,007,386,517
Liabilities			
Non-current liabilities			
Deferred tax liabilities	13.1	276,333,620	285,971,340
		276,333,620	285,971,340
Current Liabilities			
Loans and borrowings	12	644,763,129	915,833,094
Profit tax payable	13	88,710,206	71,563,555
Trade and other payables	14	781,247,082	569,011,744
		1,514,720,417	1,556,408,393
Total liabilities		1,791,054,037	1,842,379,733
Total Equity and Liabilities		4,281,630,570	4,849,766,249

The notes on pages 9 to 45 are an integral part of these financial statements.

H.E. Ato Melaku Alebel
Chairperson, Board of Directors

Ato Dawit Adane Teka
Chief Executive Officer

Ethiopian Industrial Inputs Development Enterprise

Statement of changes in equity

For the year ended 30 June 2023

	IFRS Remeasurement reserve		Loan redemption reserve		Retained earnings		Legal reserve		Total	
	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr	Birr
As at 01 July 2021	1,306,042,415	1,484,749,916	-	-	172,347,318	25,027,862	2,988,167,511			
Profit for the year	-	-	-	-	48,083,189	-	48,083,189			
Transfer to non-distributable reserve	-	-	-	-	(28,864,183)	-	(28,864,183)			
Dividend paid	-	-	-	-	(960,950)	960,950	-			
Transfer to legal reserve	-	-	-	-	-	-	-			
Total comprehensive income for the year	-	-	-	-	18,258,056	960,950	14,805,825			
As at 30 June 2022	1,306,042,415	1,484,749,916	-	-	190,605,374	25,988,812	3,007,386,517			
As at 01 July 2022	1,306,042,415	1,484,749,916	-	-	190,605,374	25,988,812	3,007,386,517			
Correction of prior year error	-	-	-	-	(19,269,162)	-	(19,269,162)			
Profit for the year	-	-	-	-	322,990,780	-	322,990,780			
Non-recoverable prior years tax claims (Note 10)	-	(798,675,007)	-	-	-	-	(798,675,007)			
Transfer to non-distributable reserve	-	-	-	-	-	-	-			
Dividend paid	-	-	-	-	(21,856,594)	-	(21,856,594)			
Transfer to legal reserve	-	-	-	-	(14,093,251)	14,093,251	-			
Total comprehensive income for the year	-	(798,675,007)	-	-	267,771,773	14,093,251	(516,809,983)			
As at 30 June 2023	1,306,042,415	686,074,909	-	-	458,377,146	40,082,063	2,490,576,533			

The notes on pages 9 to 45 are an integral part of these financial statements.

Ethiopian Industrial Inputs Development Enterprise

Statement of cash flows

For the year ended 30 June 2023

	2023 Birr	2022 Birr
Cash flows from operating activities		
Profit / (loss) for the year	322,990,780	48,083,189
Adjustments for non-cash income and expenses:		
Retained earnings movements	(817,944,171)	-
Taxes	134,599,481	74,695,667
Depreciation	72,382,251	65,255,179
Changes in working capital:		
(Increase) decrease in trade and other receivables	1,422,604,367	(782,784,584)
(Increase) decrease in inventories	90,568,319	(163,361,615)
Increase (decrease) in trade and other payables	212,235,338	(135,722,093)
Cash generated from / (used in) operating activities	1,437,436,364	(893,834,258)
Income tax paid	(127,090,548)	(121,316,712)
Net cash (outflow)/inflow from operating activities	1,310,345,816	(1,015,150,970)
Cash flows from investing activities		
Purchase of property, plant and equipment	(937,457,946)	(131,138,183)
Investment in bond securities	(42,678)	(40,645)
Net cash (outflow)/inflow from investing activities	(937,500,624)	(131,178,828)
Cash flows from financing activities		
Proceeds/(repayment) from/of borrowings (net)	(271,069,965)	915,833,094
Movement in shareholders balances (net)	(21,856,594)	(28,864,183)
Non-recoverable prior years tax claims	-	-
Net cash (outflow)/inflow from financing activities	(292,926,559)	886,968,911
Net (decrease)/increase in cash and cash equivalents	79,918,634	(259,360,887)
Cash and cash equivalents at the start of the year	732,682,067	992,042,955
Cash and cash equivalents at the end of the year	812,600,701	732,682,067

1 General information

Ethiopian Industrial inputs Development Enterprise (EIIDE) is an autonomous public Enterprise established under the Council of Ministers Regulation No. 328/2014. EIIDE is a state owned enterprise and governed by Public Enterprise Proclamation No 25/1992. The Enterprise's principal business activities are the supply of industrial inputs and other related activities.

The address of its registered office and principal place of the Enterprise is:

Kirkos Sub City, Woreda 06, House No. 027
Addis Ababa
Ethiopia

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.2 Basis of preparation

2.2.1 Statement of compliance

The financial statements of the Enterprise have been prepared in accordance , and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations (as issued by the International Accounting Standards Board ("IASB")) issued and effective at the time of preparing these financial statements. They have been prepared under the assumption that the Enterprise operates on a going concern basis. Other applicable national laws and regulations are applied as appropriate.

The Enterprise presents the statement of profit or loss using the classification by function of expenses. The Enterprise believes this method provides more useful information to the users of its financial statements as it better reflects the way operations are run from a business point of view. The statement of financial position format is based on a current / non-current distinction.

The financial statements have been prepared on the historic cost convention and presented in Ethiopian Birr (ETB), which is the Enterprise's functional currency.

2.2.2 Measurement bases

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Significant judgments and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management of the Enterprise, from time to time, to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.3.1 Use of estimates and judgments in applying accounting policies

Critical judgments are made by management in applying accounting policies. An accounting policy is considered to be critical if its selection or application could materially affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Critical judgments, that have the most significant effect on the amounts recognized in the financial statements, are outlined as follows:

a. Lease classification

The treatment of leasing transactions under IFRS 16 in the financial statements is mainly determined by whether the contract, or part of a contract, that conveys the right-to-use an asset (the underlying asset) for a period of time in exchange for consideration. In making this assessment, management of the Enterprise considers a lease contract as the acquisition of a right to use an underlying asset, with the purchase price paid in installments.

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

b. Impairment of financial assets

The Enterprise's impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Enterprise uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Enterprise's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

c. Impairment testing

The Enterprise reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions.

d. Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological and functional obsolescence that may change the economic benefits of assets.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

e. Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. EIIDE's management assessed whether inventory is impaired by comparing its cost to its estimated net realizable value. For impaired inventory items, inventory is written down to net realizable value in accordance with IAS 2.

f. Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

g. Allowance for expected loss

Allowance for Expected Credit Losses (ECL), for trade receivables and contract assets, assessment require a degree of estimation and judgment. Management's assessment of credit losses is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

h. Simplified impairment model

As the trade and other receivables and contract assets of the Enterprise do not contain a significant financing component (generally such assets of the Enterprise have a maturity period of 12 months or less), and in accordance with IFRS 9, 'life time expected credit losses' are recognized.

The simplified impairment model allows management to calculate ECLs on trade receivables using provision matrix, which means grouping of trade and other receivables based on different customer attributes and different historical loss patterns.

i. Revenue from contracts with customers involving sale of goods

Revenue recognition in relation to the sale of goods to customers, the key performance obligation of the company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unhindered access.

j. Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of mortality rates and pay increases through promotion and inflation have been considered.

2.4 Significant accounting policies

a. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, capitalized borrowing costs for qualifying assets.

The Enterprise capitalizes property, plant and equipment costing more than ETB 5,000 and having a useful life of more than one year and depreciate them over their useful lives.

Initial measurement

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalization of borrowing costs on qualifying assets.

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, including the capitalization of borrowing costs on qualifying assets.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized.

Use of fair value as deemed cost

The Enterprise elected to use fair value as deemed cost for its first IFRS opening statement of financial position for all class of its property plant and equipment.

Major spare parts and stand-by equipment

Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

Depreciation

Depreciation is charged to write off the asset's carrying amount over its estimated useful life, using straight line method.

Asset class	Average useful life
Buildings	22
Motor vehicles	13
Furniture and equipment	7
Computers and accessories	11

The depreciation charge for each year is recognized in profit or loss unless it is included in the carrying amount of another asset.

The estimated residual value of depreciable assets are determined to be immaterial as the Enterprise consumes the service potential of the assets over their economic life.

Depreciation of an asset commences when the asset is available for use as intended by management and ceases at the earlier of the date that the asset is classified as held for sale or derecognized.

Assets under construction are not depreciated until they are completed and brought into use. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount.

Annual review

The useful life and depreciation method of property, plant and equipment is reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Impairment testing

Impairment tests on property, plant and equipment is performed when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognized immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognized.

Presentation and disclosure

EIIDE comply with the presentation and disclosure requirements of IAS 16 property, plant and equipment in the financial statements.

b. Leases

At inception of a contract, the Enterprise assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Enterprise uses the definition of a lease in IFRS 16.

Enterprise as a lessee

As a lessee, the Enterprise leases office and warehouse space. The Enterprise previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Enterprise. Under IFRS 16, the Enterprise recognises right-of-use assets and lease liabilities for most of its leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Enterprise allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Enterprise has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Enterprise recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Enterprise by the end of the lease term or the cost of the right-of-use asset reflects that the Enterprise will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Enterprise's incremental borrowing rate. Generally, the Enterprise uses its incremental borrowing rate as the discount rate.

Lease liability is measured at amortized cost using the effective interest method.

The Enterprise presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Enterprise has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Enterprise recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Enterprise as a lessor

At inception or on modification of a contract that contains a lease component, the Enterprise allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Enterprise acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Enterprise makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Enterprise considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Enterprise recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

c. Financial instruments

A financial instrument of the Enterprise under IFRS 9 is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is recognised as any asset of the Enterprise that is:

- a) cash;
- b) an equity instrument of another entity;
- c) a contractual right:
 - i. to receive cash or another financial asset from another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Enterprise;

A financial liability is recognised as any liability of the Enterprise that is:

- a) a contractual obligation:
 - i. to deliver cash or another financial asset to another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable (economic outflow) to the Enterprise;

The Enterprise's financial assets representing a contractual right to receive cash in the future and corresponding financial liabilities representing a contractual obligation to deliver cash in the future are:

- a) Trade receivables and payables;
- b) Loans to (from) related parties
- c) Loans to employees
- d) Investments in government bonds
- e) Investments in term deposits.

The Enterprise classifies financial assets into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Initial recognition and measurement

Financial instruments are recognised initially when EIIDE becomes a party to the contractual provisions of the instruments.

Financial assets at amortised cost

Financial assets of the Enterprise are measured at amortized cost, as the assets meet the following conditions:

- i) they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, financials assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Enterprise's cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial instruments

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets, trade and other receivables, contract assets recognized and measured under IFRS 15 and loan commitments.

Trade and other receivables, receivable from employees and contract assets

The Enterprise applies the simplified impairment model for trade and other receivables as well as contract assets and recognizes the loss allowance as lifetime expected credit loss. The loss allowance is the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating loss allowances, the Enterprise uses its historical experience, external indicators and forward-looking information using a provision matrix.

The Enterprise assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they are grouped based on the days past due.

Classification and measurement of financial liabilities

The Enterprise's financial liabilities mainly include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges are reported in profit or loss are included within finance costs or finance income.

Offsetting financial instruments

The Enterprise offset financial assets and financial liabilities and the net amount are reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Default

For purposes of internal credit risk management purposes, EIIDE should consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full.

Irrespective of the above analysis, The Enterprise should consider that default has occurred when receivables are more than 30 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition

EIIDE derecognise a financial asset only when:

- the contractual rights of EIIDE to the cash flows from the asset expire, or
- when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

EIIDE derecognise financial liabilities when, and only when The Enterprise obligations are discharged, cancelled or expired.

Financial risk management

The Board of Directors take overall responsibility for the determination of the Enterprise's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the management. The Board of Directors monitor the management through which it reviews and ensures the effectiveness of the processes put in place and the appropriateness of the objectives and policies for the Enterprise's financial risk management.

Management has identified that the Enterprise is exposed to the following risks from its use of financial instruments:

- i) Credit risk;
- ii) Liquidity risk; and
- iii) Market risk (currency risk, interest rate risk and price risk)

Senior management of the Enterprise has an overall responsibility for the establishment and oversight of the Enterprise's risk management framework.

The Enterprise's risk management policies are established to identify and analyse the risks faced by the Enterprise, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Enterprise's activities.

Credit Risk

Credit risk is the risk of financial loss to the Enterprise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Enterprise is exposed to credit risk trade and other receivables, contract receivables, receivables from employees and shareholders, cash and cash equivalents.

Credit risk exposures other than those arising on cash and cash equivalents, are managed by the Enterprise among others by:

- Making use of credit approvals, limits and monitoring.
- The Enterprise only deals with reputable counterparties with consistent payment histories
- Sufficient collateral or guarantees are obtained when necessary.
- Each counterparty is analyzed individually for creditworthiness before terms and conditions are offered.
- Counterparty credit limits are in place and are reviewed and approved by credit management committees.
- The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is analyzed and disclosed to the notes to the financial statements.

Cash and cash equivalent

The Enterprise holds cash and cash equivalents which represents its maximum credit exposure on these assets. The cash and cash equivalents are mostly held with bank and financial institution counterparties, which are regulated by the National Bank of Ethiopia.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Enterprise has procedures to minimize such losses including maintaining sufficient cash and other highly liquid current assets.

Market Risk

Market risk is the risk that the Enterprise's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as premium rates, interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. The main market risk arises from trading activities and equity investments. The Enterprise does not ordinarily engage in trading activities as there are no active markets in Ethiopia.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Enterprise's main interest rate risk arises primarily from its financial obligations and financial assets with fixed interest rates. The Enterprise's management monitors the interest rate fluctuations on an ongoing basis and acts accordingly.

Foreign currency

The Enterprise undertakes transactions (foreign currency based payments, import related transactions, etc.) denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognized financial assets and financial liabilities denominated in a currency that is not the Enterprise's functional currency.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Enterprise is exposed to foreign exchange risk arising primarily from United States Dollar (USD) related transaction and balances. The Enterprise's management monitors the exchange rate fluctuations on an ongoing basis and acts accordingly.

d. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises of purchase cost and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Cost of inventories

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Write-down of inventories

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

e. Income taxes

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes non-deductible items. The Enterprise's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability.

Reconciliation of Accounting and tax profit

The tax legislation and the IFRS accounting standards differs in various recognition and measurement of assets and liabilities resulting different base of profit for tax purpose. The Enterprise applied and complied with tax legislatives and reconciled the accounting profit to taxable profit by excluding accounting expenses not allowed by the tax rules. The profit tax payable is therefore computed on the taxable profit as shown in the notes to the financial statements.

Deferred tax assets and liabilities

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. A deferred tax asset is not recognized when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax expense

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 30 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

g. Equity, reserves and dividend payments

Capital represents the paid-up capital in-kind or in-cash under the regulation governing the establishment and operation of the Enterprise. The Enterprise is a wholly owned Public Enterprise by the government of Ethiopia.

Reserves represents statutory "legal reserve" at applicable rate on the annual profit with a cap to 20% of the paid-up capital. The Enterprise is also authorized to maintain different reserves for a special use. IFRS remeasurement reserves are required to be maintained on significant measurement adjustments arise on adoption of IFRS. Dividends are recognized as a liability in accordance with the proclamation governing public enterprises when distributable profits are available.

Retained earnings includes all current and prior period retained profits.

h. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of profit sharing and bonus payments, if any, is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plan

The Enterprise operates defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the Enterprise pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee. The current state plan relates to pension scheme which is based on the provisions of Ethiopian pension under Public servants Pension Proclamation number 714/2011. Contributions under the scheme is 7% and 11% by employees and the Enterprise respectively.

The Enterprise has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of this scheme are held in separate government owned, trustee administered funds, which are funded by contributions from both the employee and the Enterprise. The contributions are recognized as employee benefit expense in the profit or loss in the year they relate.

Other long-term employee benefits

The liability for Other long-term employee benefit obligations under IAS 19, which are those that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the service that gives rise to the benefit such as severance pays and long service leave are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salary levels, experience of employee departures (employees turnover rate) and years of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows using the projected unit credit method.

i. Provisions and contingencies

Provisions for warranties, legal disputes, onerous contracts or other claims are recognized when the Enterprise has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made as per IAS 37. The timing or amount of the outflow may still be uncertain.

Where the Enterprise expects a provision to be reimbursed, for example under an insurance contract or warranty from suppliers, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Onerous contracts

For a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

Provision for future operating losses

The Enterprise does not recognise provision for future operating losses.

Contingent asset and liabilities

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in notes to the financial statements.

j. Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Enterprise is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer under IFRS 15, the Enterprise:

- i) identifies the contract with a
- ii) identifies the performance obligations in the contract;
- iii) determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- iv) allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- v) recognises revenue when or as each performance obligation is satisfied.

Revenue is recognised in a manner that depicts the transfer to the customer of the goods or services promised as either at point in time or over a period of time in accordance with IFRS 15.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Advances received from customers

IFRS 15 requires the Enterprise to determine whether there is a significant financing component in its contracts. However, the Enterprise decided to use the practical expedient provided in IFRS 15, and did not adjust the promised amount of the consideration for the effects of significant financing components in the contracts, where the Enterprise expects, at contract inception, that the period between the Enterprise's transfer of a promised goods or service to a customer and when the customer pays for that service will be one year or less. Therefore, for short-term advances, the Enterprise does not account for a financing component.

The Enterprise recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Enterprise satisfies a performance obligation before it receives the consideration, it recognizes either a contract asset or a receivable in its statement of financial position.

The Enterprise expects, at contract inception, that the period between The Enterprise transfer of a promised service to a customer and when the customer pays for that service is one year or less. Therefore, for short-term advances, the Enterprise do not account for a financing component.

Contract liabilities of EIIDE primarily relate to the advance consideration received from customers, advance deposits, for which revenue is recognised when the goods are delivered to the customers usually in less than 12 months with no financing component.

Where long-term advance from customer is received, the Enterprise assess any financing component and separately account from revenue as required by IFRS 15.

Disaggregation of revenue

The Enterprise disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors IFRS 15. The base of disaggregation of revenue depend on the specific circumstances of the Enterprise as to how much detail is disclosed.

The Enterprise has determined that a disaggregation of revenue using its types of goods and services (major product types by each industry) and by timing of revenue recognition is adequate for its circumstances.

k. Cost of sales

Cost of sales comprises cost of merchandising goods purchased, and other applicable direct cost such transport and handling cost. When inventories are sold, the carrying amount of those inventories are recognised as a cost of sales in the period in which the related revenue is recognised.

l. Translation of foreign currencies

Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency (Ethiopian Birr) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

m. Financial income and charges

Financial income and expenses items include interest income and expenses.

n. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset.

Commencement of capitalisation of borrowing costs

Capitalization of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Suspension of capitalisation of borrowing costs

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

o. Government grants & assistance

Grants from the government and other philanthropists are recognised at their fair value when there is reasonable assurance that:

- a) the Enterprise will comply with the conditions attaching to grants; and
- b) the grants will be received.

The Enterprise recognise Government grant as income over the periods necessary to match them with the related costs that they are intended to compensate.

Grant related to income or expenditure:

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Enterprise with no future related costs are recognised as income of the period in which it becomes receivable.

Grant related to assets

Government grant received in the form of assets are recognised and presented in the balance sheet as deferred income (Non-current liability), with the contra assets received being recognised to its appropriate class, and is released to profit and loss as other income through systematic amortisation of the deferred income over the estimated lives of the related assets.

2.5 Changes in accounting policies and disclosures

2.5.1 Standards, amendments and interpretations effective and adopted in the current reporting period.

In the reporting period, the Enterprise has adopted the following standards and interpretations for the current financial year and that are relevant to its operations:

a) Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16:

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Effective for annual periods beginning on or after 01 January 2022.

b) Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37:

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Effective for annual periods beginning on or after 01 January 2022.

c) Annual Improvements to IFRS Standards 2018–2020:

The following improvements were finalized by IASB in May 2020 and considered to be relevant to the Enterprise:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

Effective for annual periods beginning on or after 01 January 2022.

d) Management view on the impact of the changes on the financial statements

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.5 Changes in accounting policies and disclosures (cont'd)

2.5.2 Standards, amendments and interpretations issued but not yet effective for the reporting period.

a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1:

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification.

Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.

b) Disclosure of Accounting Policies– Amendments to IAS 1 and IFRS Practice Statement 2:

The amendments define what is ‘material accounting policy information’ is and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgments to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Effective for annual periods beginning on or after 01 January 2023.

c) Definition of Accounting Estimates– Amendments to IAS 8:

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Effective for annual periods beginning on or after 01 January 2023.

d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendment to IAS 12:

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

Effective for annual periods beginning on or after 01 January 2023.

e) Management view on the impact of the changes on the financial statements

Management asserts that the adoption of these standards, amendments and interpretations will not have a material effect on the financial statements when they become effective and applied.

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

3 Property, plant and equipment	Buildings	Motor vehicles	Furniture and equipment	Computer and accessories	Construction in progress	Total
	Birr	Birr	Birr	Birr	Birr	Birr
Cost						
As at 01 July 2021	1,132,260,759	58,839,226	9,253,311	23,252,998	4,216,222	1,227,822,516
Additions	-	55,439,130	1,657,037	4,210,218	69,831,798	131,138,183
As at 30 June 2022	1,132,260,759	114,278,356	10,910,347	27,463,216	74,048,020	1,358,960,699
As at 01 July 2022	1,132,260,759	114,278,356	10,910,347	27,463,216	74,048,020	1,358,960,699
Additions	-	91,555,630	26,680,222	28,096,038	791,126,056	937,457,946
As at 30 June 2023	1,132,260,759	205,833,986	37,590,569	55,559,254	865,174,076	2,296,418,645
Accumulated depreciation						
As at 01 July 2021	108,562,064	9,041,995	405,818	2,446,559	-	120,456,436
Charge for the year	54,633,240	7,081,182	1,088,658	2,452,099	-	65,255,179
As at 30 June 2022	163,195,304	16,123,177	1,494,476	4,898,657	-	185,711,614
As at 01 July 2022	163,195,304	16,123,177	1,494,476	4,898,657	-	185,711,614
Charge for the year	54,633,240	12,223,095	1,728,581	3,797,335	-	72,382,251
As at 30 June 2023	217,828,544	28,346,272	3,223,057	8,695,992	-	258,093,865
Net book value						
As at 30 June 2021	1,023,698,695	49,797,231	8,847,492	20,806,439	4,216,222	1,107,366,080
As at 30 June 2022	969,065,456	98,155,179	9,415,872	22,564,558	74,048,020	1,173,249,085
As at 30 June 2023	914,432,216	177,487,714	34,367,513	46,863,261	865,174,076	2,038,324,779

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

3.1 The Enterprise has certain property, plant and equipment in-use which it has fully consumed their respective service potential. The estimated scrap value of those assets with fully depreciated status up on adoption of IFRS is ETB 6.3 million. Management has intention to dispose the assets or transfer to other entities in compliance with its internal operating procedure.

3.2 **Freehold land**

The Enterprise holds and uses freehold lands since its establishment and the freehold lands are used for the purpose of the Enterprise's core business activities and for future business expansion and industrial inputs development. Pursuant to the right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the people of Ethiopia, the Enterprise has not recognised the value of freehold land in its financial statements due to the restriction on Sale of the lands. However, management asserted that the disclosure of the fair value of the freehold land under its control and use provides relevant information to its financial statements users.

The following summary describes the locations and fair value of freehold land holdings at reporting date with no material

Branches	Freehold land area and value
83 branches across the Country	63 Hectare with fair value of ETB 8,098,007,356.

	30 June 2023 Birr	30 June 2022 Birr
4 Investment securities		
Loans and receivables at amortised cost:		
Ethiopian government bonds	896,231	853,553
Financial assets at fair value through other comprehensive income		
Unlisted ordinary shares	-	-
	896,231	853,553

The Enterprise purchased Ethiopian government bonds worth of at par value ETB 1,000,000 on 25 September 2020 with maturity date on 24 September 2024, after 5 years. The bond is issued at zero interest rate and the Enterprise only collects the face value of the investment at maturity date after 5 years. The effective interest rate on the same bond in the market is 5% and the bond settlement value after 5 years is discounted using the effective interest rate and related interest is amortised over the life of the bond.

	30 June 2023 Birr	30 June 2022 Birr
5 Inventories		
<i>Merchandising</i>		
Food stuff	194,942,140	317,077,383
General goods	167,292,377	72,280,557
Building materials	29,001,180	104,875,598
Textile products	7,008,912	32,830,853
Tyres and canvas	12,295,082	33,974,068
Cotton	42,039,512	43,739,275
Cash register accessories	28,219,600	19,764,524
Stationery items	33,834,865	3,838,167
Hides and skins	3,658,108	480,887
	518,291,776	628,861,311
<i>Non-merchandising</i>		
Consumables	44,231,589	24,230,372
Goods in transit	-	-
	562,523,365	653,091,683

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

6	Trade and other receivables	30 June 2023	30 June 2022
		Birr	Birr
	Financial Instruments:		
	Trade receivables	685,032,350	1,146,410,561
	Less: allowance for expected credit losses	(103,430,807)	(87,713,502)
	Trade receivables at amortised cost	581,601,544	1,058,697,058
	Non financial instruments:		
	Value-added tax receivables	49,782,183	552,615,003
	Deposit and prepaid expenses	48,557,592	42,091,946
	Withholding tax receivable	9,193,795	285,202,963
	Receivable from employees	29,507,433	17,503,272
	Other receivables	148,642,947	333,779,617
		285,683,950	1,231,192,803
	Total trade and other receivables	867,285,494	2,289,889,861

Split between non-current and current portions	30 June 2023	30 June 2022
	Birr	Birr
Current	867,285,494	2,289,889,861
Non- current	-	-
	867,285,494	2,289,889,861

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9 Financial Instruments:

	30 June 2023	30 June 2022
	Birr	Birr
Financial instrument at amortised cost	581,601,544	1,058,697,058
Non financial instruments	285,683,950	1,231,192,803
	867,285,494	2,289,889,861

Exposure to credit risk

Trade receivables inherently expose the Enterprise to credit risk, being the risk that the Enterprise will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Enterprise only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

Exposure to credit risk (Cond)

Trade receivables arise from sales of goods and service delivery. The customer base is large and widespread, with a result that there is no specific significant concentration of credit risk from these trade receivables. Management assess and monitor credit risk internally along any risk concentrations.

No interest is charged on outstanding trade receivables.

Expected credit loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Enterprise measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current and comparative financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Enterprise's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2023	2023	2022	2022	2021	2021
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
	Birr	Birr	Birr	Birr	Birr	Birr
0 to 30 days past due: 0.5% (2022: 0.5%)	-	-	-	-	-	-
31 - 60 days past due: 2.5% (2022: 0.75%)	-	-	-	-	-	-
61 - 90 days past due: 5% (2022: 1%)	-	-	-	-	-	-
More than 90 days past due: 15% (2022: 7.5%)	714,539,784	103,430,807	1,169,513,365	87,713,502	686,974,730	9,507,216
Total	714,539,784	103,430,807	1,169,513,365	87,713,502	686,974,730	9,507,216

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

	30 June 2023 Birr	30 June 2022 Birr
7	Cash and cash equivalents	
	<i>Cash and cash equivalents consist of:</i>	
	812,599,905	732,681,221
	796	846
	812,600,701	732,682,067

	30 June 2023 Birr	30 June 2022 Birr
8	Capital	
	1,306,042,415	1,306,042,415
	-	-
	1,306,042,415	1,306,042,415

The Enterprise has authorised capital of ETB 3,900,612,520 of which ETB 1,306,042,415 is paid-up under the provision of Council of Ministers Regulation 328/2014.

	30 June 2023 Birr	30 June 2022 Birr
9	IFRS Remeasurement reserve	
	1,484,749,916	1,484,749,916
	(798,675,007)	-
	686,074,909	1,484,749,916

Non-recoverable prior years tax claims

The Enterprise was audited by the Ministry of Revenue tax auditors as a regular comprehensive tax audit for the reporting year from 2011EC to 2013EC (2019 GC to 2021 GC) in 2017EC (2025GC). The outcome of the tax assessment from the tax audit was that the Value added tax and Withholding tax receivables due from the tax office with amount of 798.7 million that arise prior to the reporting year under tax audit and the Enterprise's first IFRS reporting year was not recoverable. Accordingly, the Enterprise impaired the receivables due from the tax office with the approval of Board and Holding Company decision to derecognise under the requirement of IFRS.

The total carrying amount of property, plant and equipment under previous GAAP without freehold land value was ETB 829,893,945. The valuation & remeasurement difference is accounted for in IFRS Adoption remeasurement reserve within equity category as non-distributable reserve pursuant to the guidance letter issued by the Accounting and Auditing Board of Ethiopia with letter Ref: አሂለ/208/12 Dated:19/02/2012 Ethiopian Calendar..

10 Retained earnings

Correction of prior-year error

Correction of the prior-year error represents a decrease in retained earning by 19.3m, representing the cumulative net effect of the corrections made in relation to the retrospective derecognition of legacy inventory balances attached to closed warehouses and the reversal/realignment of shortage-related charges that had been recognized in later periods solely because those locations were treated as active.

11 Legal reserve

In accordance with the requirement of the Public Enterprise Proclamation 25/1992, Public Enterprises incorporated in Ethiopia are required to maintain legal reserve through transfer of not less than one twentieth (5%) of the annual net profits until the accumulated legal reserve balance amounts to 20% of the capital.

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

	30 June 2023	30 June 2022
	Birr	Birr
12 Loans and borrowings		
Short term loan	644,763,129	915,833,094
Accrued interest	-	-
Overdraft	644,763,129	915,833,094
<i>Maturity analysis</i>		
Current	644,763,129	915,833,094
Non- current	-	-
	<u>644,763,129</u>	<u>915,833,094</u>

Bank borrowings are secured by building of the Enterprise (note 3 and 4).

The Enterprise has a bank borrowing of term loan for import of food stuff from Commercial Bank of Ethiopia bearing 11.5% interest per annum.

	30 June 2023	30 June 2022
	Birr	Birr
13 Business income tax and deferred tax		
Current income tax		
IFRS Accounting profit	463,818,714	122,778,856
<u>Add: disallowed expenses</u>		
Entertainment	61,362	152,825
Donation	6,681,877	5,698,543
Demurrage	-	-
Penalty	74,220	1,723,511
<u>IFRS related entries</u>		
Impairment expenses	16,225,838	139,649,076
Annual leave and severance pay accrual	2,101,864	17,324,836
Other employee benefits on adoption of IFRS	-	-
Finance charges bond amortisation	-	-
Depreciation and amortization for IFRS accounting purpose	72,382,251	65,255,179
	<u>561,346,126</u>	<u>352,582,825</u>
<u>Less:</u>		
Interest income taxed at source	(17,392,904)	(34,180,407)
Interest income on bond amortisation	(42,678)	(40,645)
Depreciation and amortization for tax purpose	(42,358,364)	-
	<u>(59,793,945)</u>	<u>(34,221,052)</u>
Taxable profit	<u>501,552,181</u>	<u>318,361,773</u>
Current tax at 30%	<u>150,465,654</u>	<u>95,508,532</u>
Less: Advance profit tax (Withholding tax)	(6,228,453)	-
	<u>144,237,201</u>	<u>95,508,532</u>
Business income tax payable:		
Profit tax payable at the start of the year	71,563,553	97,371,733
Profit tax paid during the year	(127,090,548)	(121,316,712)
	<u>(55,526,995)</u>	<u>(23,944,979)</u>
Profit tax (business income tax) for the year	<u>144,237,201</u>	<u>95,508,532</u>
Profit tax payable at the end of the year	<u>88,710,206</u>	<u>71,563,553</u>

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

13.1 Deferred income tax

Deferred income tax assets is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss, in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	At 01 July 2022 Birr	Credit/ (charge) to equity Birr	Credit/ (charge) to equity Birr	At 30 June 2023 Birr
Property, plant and equipment	(295,592,433)	9,007,161	-	(286,585,272)
Severance pay and leave accrual	9,621,093	630,559	-	10,251,652
Total deferred tax assets/(liabilities)	(285,971,340)	9,637,720	-	(276,333,620)

Deferred income tax assets/(liabilities):	At 01 July 2021 Birr	Credit/ (charge) to equity Birr	Credit/ (charge) to equity Birr	At 30 June 2022 Birr
Property, plant and equipment	(311,211,591)	15,619,158	-	(295,592,433)
Severance pay and leave accrual	4,427,386	5,193,707	-	9,621,093
Total deferred tax assets/(liabilities)	(306,784,205)	20,812,865	-	(285,971,340)

DEFERRED TAX LIABILITY

	30 June 2023 Birr	30 June 2022 Birr	30 June 2021 Birr
Deferred tax (liability) asset as per previous GAAP	-	-	-
Deferred tax (liability) asset brought forward	-	-	-
Add: Temporary difference	(276,333,619)	(285,971,339)	(306,784,205)
Deferred tax Liability	(276,333,619)	(285,971,339)	(306,784,205)
Property, plant and equipment - tax base	217,866,468	113,892,957	65,777,890
Property, plant and equipment - carrying amount	1,173,150,704	1,099,201,065	1,103,149,858
Property, plant and equipment - temporary difference	(955,284,236)	(985,308,107)	(1,037,371,969)
Severance pay and leave accrual - tax base	-	-	-
Severance pay and leave accrual - carrying amount	34,172,174	32,070,310	14,757,953
Severance pay and leave accrual - temporary difference	34,172,174	32,070,310	14,757,953
Deferred tax (liability) asset - @ 30%	(276,333,619)	(285,971,339)	(306,784,205)

13.2 Tax (income) / expense

	2023 Birr	2022 Birr
Provision for business income tax (note 13)	150,465,654	95,508,532
Deferred tax liability (assets) recognized in the year (note 13.1)	(9,637,720)	(20,812,865)
	140,827,934	74,695,667

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

	30 June 2023 Birr	30 June 2022 Birr
14 Trade and other payables		
Financial instruments:		
Trade payables	238,629,881	78,264,857
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	238,629,881	78,264,857
Non financial instruments:		
Other payables	125,138,298	96,689,711
Prior years tax assessment	329,317,392	329,317,392
Accrued expenses	31,571,386	4,424,177
Accrued annual leave	14,428,575	16,473,444
Accrued severance pay	16,638,082	15,596,866
Pension contributions payable	5,964,135	6,443,996
Employment income tax payable	12,984,003	9,766,864
Withholding tax payable	6,575,330	12,034,438
Total	781,247,082	569,011,744

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Exposure to currency risk

The Enterprise is exposed to currency risk, as imports of raw materials are denominated in foreign currencies. The currency in which the Enterprise deals primarily is US Dollars.

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

	2023	2022
	Birr	Birr
15 Revenue		
Revenue from contract with customers:		
<i>Sales of goods</i>		
Foodstuffs	2,693,239,872	3,310,769,191
Building materials	1,061,384,154	545,110,191
Textile products	46,209,996	146,192,286
Tyres and canvas	54,568,983	18,798,993
General goods	339,740,046	131,992,564
Cotton	-	23,660
Hides and skins	2,121,807	1,398,579
Cash register accessories	7,104,224	4,524,240
Cash register machines	824,739	3,969,410
Stationery items	49,176,261	969,479
	4,254,370,083	4,163,748,591
<i>Service income</i>		
Cash register maintenance	4,483,070	2,683,326
Incidental warehouse rental	19,665,583	17,547,742
	24,148,653	20,231,068
	4,278,518,736	4,183,979,659

16 Disaggregation of revenue

The Enterprise disaggregates revenue into categories that show how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows. In accordance with IFRS 15 to critically assess and consider the specific circumstances of entities to disaggregate revenue, the Enterprise has determined to disaggregate its revenue by major product or service lines and timing of the transfer of goods or services to customers. Additional information for Channels of sales is also provided as the Enterprise operates with branches and divisions for distribution of merchandising goods to its customers.

	2023	2022
	Birr	Birr
Major product or service lines:		
Household Consumer products	2,693,239,872	3,310,769,191
Construction materials	1,061,384,154	545,110,191
Textile and clothing	48,331,803	147,614,525
Commercial products	451,414,254	160,254,684
	4,254,370,083	4,163,748,591
Timing of revenue recognition		
Goods transferred at a point in time	4,254,370,083	4,163,748,591
Services transferred over time	24,148,653	20,231,068
	4,278,518,736	4,183,979,659

Sales Channel

The Enterprise sales its major product line directly to customers through its established networks of branches across the Country. The Enterprise has 83 branches managed through four major divisions providing direct support and supervision on the outlets.

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

		2023	2022
		Birr	Birr
19	Selling and distribution expenses		
	Salary and benefits	121,244,343	82,107,882
	Labour charge	1,214,813	1,101,280
	Operating lease charges	789,874	653,111
	Stationery, printings and office supplies	1,717,074	2,682,905
	Property tax	2,343,806	660,118
	Repair and maintenance	1,594,498	562,682
	Miscellaneous	1,120,343	207,828
	Utilities	380,858	342,142
	Communication cost	384,097	261,672
	Cleaning and sanitary	124,730	61,292
	Insurance	33,050	40,893
	Registration and license	190,905	91,421
	Fuel and lubricants	345,609	25,940
	Advertising and promotion	320,991	10,089
	Penalty and fines	-	10,000
	Donation	16,111	2,000
	Entertainment	19,706	4,097
	Membership and subscription	5,558	15,926
		131,846,368	88,841,278

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

		2023	2022
		Birr	Birr
20	General and administrative expenses		
	Depreciation	72,382,250	65,255,879
	Salary and benefits	168,801,451	159,814,714
	Impairment of inventories	-	61,463,969
	Penalty and fines	74,220	1,713,511
	Operating lease charges	12,266,906	9,782,554
	Fuel and lubricants	16,152,903	6,210,615
	Repair and maintenance	7,060,346	5,341,520
	Stationery, printings and office supplies	5,065,327	5,733,940
	Impairment of receivables	16,225,838	78,185,106
	Legal and professional	12,897,487	3,395,180
	Communication cost	2,793,600	2,187,016
	Municipality rates	148,688	487,036
	Labour charge	1,214,016	769,415
	Bank charges	2,100,136	56,667
	Donation	6,670,053	5,696,543
	Utilities	1,133,712	1,115,196
	Advertising and promotion	698,802	846,177
	Entertainment	41,656	152,825
	Standardisation fee	1,308,436	53,495
	Membership and subscription	291,345	150,260
	Vehicle running expense	711,310	746,125
	Miscellaneous	649,854	343,906
	License renewals	166,745	132,390
	Insurance	5,437,506	9,252,433
	Cleaning and sanitary	5,469	183,569
		334,298,056	419,070,043
		2023	2022
		Birr	Birr
21	Finance (cost)/income		
	<i>Finance income</i>		
	Finance income on bond amortisation	42,678	40,645
	Interest income on bank saving accounts	17,392,904	34,180,407
		17,435,582	34,221,052
	<i>Finance costs</i>		
	Interest on bank borrowings	-	1,675,367
	Interest on employees benefits	1,582,151	696,222
		1,582,151	2,371,589

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

22 Operating profit (losses) for the year

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

Remuneration, other than to employees	2023	2022
	Birr	Birr
Consulting and professional services	12,897,487	3,395,180
	<u>12,897,487</u>	<u>3,395,180</u>

Employee costs

As at 30 June 2023 the Enterprise had 1,384 permanent employees (2022:1,384). The total cost of employment of all employees, including management, was as follows:

Salaries, wages, bonuses, pension and other benefits	290,045,795	27,190,345
Other short term costs	-	-
Severance and annual leave pay	2,101,864	5,231,229
Total employee costs	<u>292,147,659</u>	<u>32,421,574</u>
Total employee costs expensed	<u>292,147,659</u>	<u>32,421,574</u>

Leases

Operating lease charges	13,056,780	10,435,665
	<u>13,056,780</u>	<u>10,435,665</u>

23 Employee benefits

Defined contribution plan

It is the policy of the Enterprise to provide retirement benefits scheme to all its employees.

The Enterprise operates state regulated defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the Enterprise pays fixed contributions into a separate entity. In a defined contribution plan, the actuarial risk falls 'in substance' on the employee and The Enterprise is under no obligation to cover any unfunded benefits.

The defined contribution pension scheme is in line with the provisions of Ethiopian pension under Public servants Pension Proclamation number 714/2011. Funding under the scheme is 7% by employees and 11% by the Enterprise.

Severance pay

In accordance with the Labour Proclamation No. 377/2003 and 494/2006, the Enterprise operates an unfunded severance pay plan for its employees who have served the Enterprise for 5 years and above and are below the retirement age (i.e. has not met the requirement to access the pension fund). The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary.

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

	30 June 2023	30 June 2022
	Birr	Birr
Employee benefits		
Severance pay obligation	7,196,907	7,196,907
	30 June 2023	30 June 2022
	Birr	Birr
Opening obligation	15,596,865	7,196,907
Interest cost	696,222	696,222
Current service cost	8,095,966	8,095,966
Benefits paid (reversal)	(392,229)	(392,229)
Closing obligation	23,996,823	15,596,865

The details of movements and amounts recognised in the financial statements:

	30 June 2023	30 June 2022
	Birr	Birr
Amount recognised in the statement of financial position:		
Severance pay obligation	23,996,823	15,596,865
	30 June 2023	30 June 2022
	Birr	Birr
Amount recognised in the profit or loss & other comprehensive income:		
Current service cost	8,095,966	8,095,966
Interest cost	696,222	696,222
	8,792,187	8,792,187

The significant actuarial assumptions applied for projected unit credit method were as follows:

i) Financial assumption long term average

	2023	2022
Discount rate (p.a)	11.5%	11.5%
Estimated average salary increase rate (p.a)	18.0%	18.0%

ii) Estimated employee turnover rate before retirement age & mortality rate are summarised as follows:

Age group	Probability of Mortality	Probability of Leaving Employment before Retirement (%)
0-25	0.303%	17.5%
25-30	0.355%	13.0%
30-35	0.405%	11.5%
35-40	0.515%	7.5%
40-45	0.450%	5.0%
45-50	0.628%	2.5%
50-55	0.979%	1.0%

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Notes to the financial statements

24 Operating lease commitments - as lessee (expense)	2023 Birr	2022 Birr
Minimum lease payments due		
- Within one year	13,056,780	10,435,665
- Later than 1 year and no later than 5 years	-	-
Total	13,056,780	10,435,665

Operating lease payments represent house rentals payable by the Enterprise.

25 Related party transactions

Transactions with related parties

The following transactions occurred with related parties, entities which are related to the Enterprise by common ownership:

	2023 Birr	2022 Birr
<i>Sales of goods and services:</i>		
Sales of goods and services	-	-
<i>Purchases of goods and services:</i>		
Purchases of goods and services	-	-

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2023 Birr	2022 Birr
<i>Current payables/receivables:</i>		
<i>Summary of amounts due from related parties</i>		
Receivable from related parties	-	-
<i>Summary of amounts due to related parties</i>		
Payables to related parties	-	-
<i>Loans to/from related parties</i>		
Net loans to/(from) related parties	-	-

Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Enterprise is set out below:

	2023 Birr	2022 Birr
Employment related benefits	14,773,002	14,773,002
Other benefits	-	-
	14,773,002	14,773,002

Ethiopian Industrial Inputs Development Enterprise
Notes to the financial statements

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

26 Financial instruments and risk management

Categories of financial instruments

The Enterprise's classification of its financial assets is summarised in the table below:

Financial assets

	Amortised cost	
	30 June 2023	30 June 2022
	Birr	Birr
Trade and other receivables	581,601,544	1,058,697,058
Cash and cash equivalents	812,600,701	732,682,067
	1,394,202,245	1,791,379,125

Financial liabilities

	Amortised cost	
	30 June 2023	30 June 2022
	Birr	Birr
Trade payables	238,629,881	78,264,857
Loans and borrowings	644,763,129	915,833,094
	883,393,010	994,097,950

26 Financial instruments and risk management (Contd)

Financial risk management

Overview

The Board of Directors has overall responsibility for the determination of the Enterprise's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the management. The Board of Directors receives quarterly reports from the management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies for the Enterprise's financial risk management.

The Enterprise is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Enterprise's management has overall responsibility for the establishment and oversight of the overall risk management framework.

The Enterprise's risk management policies are established to identify and analyse the risks faced by the business, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Enterprise's activities.

The Enterprise management oversees how each units of the business monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Enterprise.

Credit risk

Credit risk is the risk of financial loss to the Enterprise if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Enterprise is exposed to credit risk on loans receivable, trade and other receivables, and contract receivables.

Expected credit loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Enterprise only deals with reputable counterparties with consistent payment histories. Sufficient guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties. Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month basis or life time ECL. The Enterprise applied the simplified impairment approach in accordance with the requirement of IFRS 9. The loss allowance is calculated based on 12 month expected credit losses, as the maturities of financial assets under simplified impairment model will typically be 12 months or less making the credit loss for 12 month and lifetime ECLs the same. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

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26 Financial instruments and risk management (Contd)

Trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables and contract assets, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management has chosen, as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

Cash and cash equivalents

The Enterprise has performed assessment of future expected risk exposure on cash and cash equivalent balances held at the Bank and the historical and forward looking risk exposure information depicts that there is no material and reportable risk. Hence, expected credit loss on cash and cash equivalent balance is not necessitated and recognised.

The maximum exposure to credit risk is presented in the table below:

	30 June 2023		
	Birr	Birr	Birr
	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	685,032,350	(103,430,807)	581,601,544
Cash and cash equivalents	812,600,701	-	812,600,701
	1,497,633,052	(103,430,807)	1,394,202,245

	30 June 2022		
	Birr	Birr	Birr
	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	1,146,410,561	(87,713,502)	1,058,697,058
Cash and cash equivalents	732,682,067	-	732,682,067
	1,879,092,628	(87,713,502)	1,791,379,125

Liquidity risk

The Enterprise is exposed to liquidity risk, which is the risk that it will encounter difficulties in meeting its obligations as they become due.

The Enterprise manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at commercial banking institutions.

The maturity profile of contractual cash flows of non derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

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26	Financial instruments and risk management (Contd)	30 June 2023 Birr	30 June 2022 Birr
	<i>Current liabilities</i>		
	Trade and other payables	781,247,082	569,011,744
	Loans and borrowings	644,763,129	915,833,094
	Finance lease payable	-	-
		1,426,010,211	1,484,844,837
	<i>Non-current liabilities</i>		
	Loans and borrowings	-	-
	Finance lease payable	-	-
		-	-

Financing arrangements

At the reporting date there were no unused borrowing facilities.

Foreign currency risk

The Enterprise is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The foreign currencies in which the Enterprise deals primarily is US Dollars.

27 **Comparative figures**

Certain comparative figures have been reclassified to confirm with presentation requirements of IFRS, and for a better comparisons.

28 **Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

29 **Events after the reporting date**

In the opinion of the Management of the Enterprise, there were no significant post balance sheet events which could have a material effect on the state of affairs of the Enterprise as at 30 June 2023 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

30 **Date of Authorisation of the financial statements**

The financial statements are authorised by the CEO of the Enterprise on January 1, 2026.