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**BERHANENA SELAM PRINTING ENTERPRISE**

**AUDITORS' REPORT AND ACCOUNTS**

**30 SENE 2015 E.C/(7 JULY 2023)**

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HABTEWOLD MENKIR  
CHARTERED CERTIFIED ACCOUNTANTS (U.K.)  
AND AUTHORIZED AUDITOR (ETHIOPIA)

'Office 0118-69-63-62  
Mobile- 0911-66-07- 93  
Fax 0115-58-00-49  
Addis Ababa, Ethiopia

email [habtemenk@ethionet.et](mailto:habtemenk@ethionet.et)  
P.O.BOX- 4859

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AND AUTHORIZED AUDITOR (ETHIOPIA)

☎Office 011-869-63-62  
Mobile- 0911-66-07- 93  
0935-99-79-82

☒4859

Addis Ababa, Ethiopia

Ref No-HWM125/16

**INDEPENDENT AUDITORS' REPORT**  
**BERHANENA SELAM PRINTING ENTERPRISE**

**1. UNQUALIFIED OPINION**

We have audited the accompanying financial statements of Berhanena Selam Printing Enterprise which comprise the statement of the financial position as at 30 Sene 2015 E.C (7 July, 2023), Statement of comprehensive income, Statement of changes in equity, 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, the accompanying financial statements present fairly, in all materials respects, the financial position of the Enterprise as at 30 Sene 2015 E.C (7 July, 2023), its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**2. BASIS OF UNQUALIFIED OPINION**

We conducted our audit in accordance with International Standards on auditing (ISAs). Our responsibilities under those standards are further described in the auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Enterprise in accordance with the international Ethics Standards Board for Accountants' code of Ethics for Professional Accounts (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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### 3. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of aEnterprise report that is 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, decision, 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.

### 4. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF 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.

**Habtewold Menkir**  
**Chartered Certified Accountants (UK)**  
**Authorized Auditors (ETH)**  
Addis Ababa  
3 November, 2023





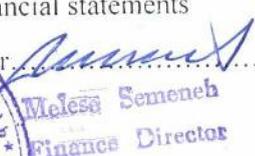
**BERHANENA SELAM PRINTING ENTERPRISE**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 07 JULY 2023**

Currency: Ethiopian Birr

|  | Notes     | 07 July 2023         | 07 July 2022         |
|--|-----------|----------------------|----------------------|
| <b>Assets</b>                                |           |                      |                      |
| <b>Non-current assets</b>                    |           |                      |                      |
| Property, Plant and Equipment                | 11        | 468,817,657          | 357,179,789          |
| Right use of asset - Land                    | 17        | 1,570,985            | 1,588,232            |
| Investments in Government bond               | 14        | 2,599,000            | 896,861              |
| Intangible assets other than goodwill        | 18        | 1,480,348            | 1,572,353            |
|  |           | <b>474,467,990</b>   | <b>361,237,236</b>   |
| <b>Current assets</b>                        |           |                      |                      |
| Inventories                                  | 16        | 815,256,284          | 630,293,984          |
| Trade and other receivables                  | 13        | 183,769,484          | 108,682,533          |
| Advance and prepayments                      | 15        | 43,396,843           | 9,013,422            |
| Cash and short-term deposits                 | 12        | 387,628,832          | 401,035,819          |
|  |           | <b>1,430,051,444</b> | <b>1,149,025,758</b> |
| <b>Total assets</b>                          |           | <b>1,904,519,433</b> | <b>1,510,262,993</b> |
| <b>Equity and Liabilities</b>                |           |                      |                      |
| <b>Equity</b>                                |           |                      |                      |
| Paid up capital                              | 19        | 1,067,852,819        | 1,067,852,817        |
| Legal reserve                                | 20        | 40,069,688           | 27,093,350           |
| Retained earnings                            | 21        | 156,955,583          | 58,335,415           |
| First time IFRS adoption revaluation reserve | 22        | 82,333,564           | 82,333,564           |
|  |           | <b>1,347,211,654</b> | <b>1,235,615,146</b> |
| <b>Total Equity</b>                          |           | <b>1,347,211,654</b> | <b>1,235,615,146</b> |
| <b>Non-current liabilities</b>               |           |                      |                      |
| Termination benefit liabilities              | 26        | 23,003,209           | 22,441,629           |
| Deferred tax liabilities                     | 10.1-10.3 | 38,001,221           | 39,546,949           |
|  |           | <b>61,004,430</b>    | <b>61,988,578</b>    |
| <b>Current Liabilities</b>                   |           |                      |                      |
| Trade and other payables                     | 27        | 176,091,608          | 55,521,879           |
| Dividend payable                             | 31        | 170,890,633          | 84,592,155           |
| Current portion of long term loan            | 24        | -                    | -                    |
| Current portion of lease liability           | 25        | 275,952              | 275,952              |
| Income tax payable                           | 9         | 114,592,541          | 52,243,031           |
| Accruals                                     | 30        | 34,452,615           | 20,026,252           |
|  |           | <b>496,303,349</b>   | <b>212,659,269</b>   |
| <b>Total Liabilities</b>                     |           | <b>557,307,779</b>   | <b>274,647,847</b>   |
| <b>Total Equity and Liabilities</b>          |           | <b>1,904,519,433</b> | <b>1,510,262,993</b> |

The notes on page 7 to 38 with appendix a and b are an integral part of these financial statements

Chief Executive Officer: 

Finance Director: 

Melese Semeneh  
Finance Director



**BERHANENA SELAM PRINTING ENTERPRISE**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 07 JULY 2023**

|   |              | Currency: Ethiopian Birr  |                           |
|---|--------------|---------------------------|---------------------------|
|   | <u>Notes</u> | <u>07 July 2023</u>       | <u>07 July 2022</u>       |
| Revenue   | 4            | 1,073,615,022             | 679,903,126               |
| Cost of sales   | 5            | <u>(489,412,282)</u>      | <u>(327,998,126)</u>      |
| Gross profit  |              | 584,202,740               | 351,905,000               |
| Other operating income  | 6            | 42,599,580                | 38,819,456                |
| Termination benefit expenses  | 8            | 2,019,207                 | 1,505,159                 |
| General and administration expenses   | 7            | (240,034,711)             | (133,620,850)             |
| Impairment losses on trade Receivables  | 13.2         | <u>(4,142,073)</u>        | <u>(2,525,144)</u>        |
| Operating profit  |              | 384,644,744               | 256,083,622               |
| Finance costs   | 8            | <u>(3,147,677)</u>        | <u>(4,234,330)</u>        |
| Profit before tax   |              | 381,497,067               | 251,849,292               |
| Income tax expense  | 9(b)         | <u>(130,975,564)</u>      | <u>(75,464,701)</u>       |
| Profit for the year   |              | 250,521,503               | 176,384,591               |
| <b>Other comprehensive income</b>   |              |                           |                           |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods         |              | -                         | -                         |
| Net other comprehensive income not to be reclassified to profit or loss in the subsequent period. |              | -                         | -                         |
| <b>Total comprehensive income for the year net of tax</b>   |              | <u><b>250,521,503</b></u> | <u><b>176,384,591</b></u> |



The notes on page 7 to 38 with appendix a and b are an integral part of these financial statements

**BERHANENA SELAM PRINTING ENTERPRISE**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 07 JULY 2023**

Currency: Ethiopian Birr

|  | <u>Paid up<br/>Capital</u> | <u>Legal<br/>Reserve</u> | <u>State Dividend</u> | <u>Retained<br/>Earnings</u> | <u>1<sup>st</sup> time IFRS<br/>adoption rev.<br/>reserve</u> | <u>Total</u>         |
|--|----------------------------|--------------------------|-----------------------|------------------------------|---|----------------------|
| Balance at 08 July 2022  | 1,067,852,817              | 27,093,350               | 84,592,155            | 58,335,415                   | 82,333,564  | 1,320,207,301        |
| Legal Reserve<br>Adjustment on legal<br>reserve from rent<br>income                      | -                          | 12,526,075               | -                     | -                            | -   | 12,526,075           |
|  | -                          | 450,263                  | -                     | -                            | -   | 450,263              |
| Paid during the year   | -                          | -                        | (42,927,570)          | -                            | -   | (42,927,570)         |
| Dividend declared to<br>Industrial Development<br>Fund                                   | -                          | -                        | -                     | 95,198,171                   | -   | 95,198,171           |
| Prior period<br>Adjustments made as<br>per ERCA Tax Audit                                | -                          | -                        | (18,704,205)          | -                            | -   | (18,704,205)         |
| Adjustment on dividend<br>declared to Industrial<br>Development Fund<br>From rent income | -                          | -                        | -                     | 3,421,998                    | -   | 3,421,998            |
| Adjustment on dividend<br>declared to state from<br>rent income Annex-B)                 | -                          | -                        | 5,132,996             | -                            | -   | 5,132,996            |
| Dividend declared to<br>state  | -                          | -                        | 142,797,257           | -                            | -   | 142,797,257          |
| Balance at 07 July 2023  | <u>1,067,852,817</u>       | <u>40,069,688</u>        | <u>170,890,633</u>    | <u>156,955,583</u>           | <u>82,333,564</u>   | <u>1,536,806,491</u> |



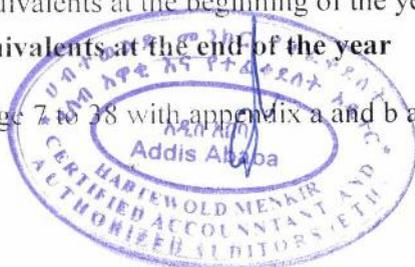
The notes on page 7 to 38 with appendix a and b are an integral part of these financial statements.



**BERHANENA SELAM PRINTING ENTERPRISE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 07 JULY 2023**

|  | Notes             | 07 July 2023         | 07 July 2022         |
|--|-------------------|----------------------|----------------------|
| <b>Operating activities</b>  |                   |                      |                      |
| Profit before tax  | P & L             | 381,497,067          | 251,849,292          |
| <b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>       |                   |                      |                      |
| Depreciation of property, plant and equipment                                      | 11                | 46,923,603           | 33,260,709           |
| Amortization of right use of asset -Land   | 18                | 17,247               | 17,247               |
| Amortization of intangible assets  | 19                | 92,005               | 92,005               |
| Interest paid  | 8                 | 640,563              | 1,831,900            |
| Prior period Adjustments made as per ERCA Tax Audit Adjustments                    |                   | (18,704,205)         | -                    |
| Gain or loss on disposal of Fixed Asset  |                   | 49,027               | 428,645              |
| Gain or loss on foreign Exchange   |                   | 1,684,624            | (1,402,100)          |
| (Gain ) or loss on bond valuation  | 14                | -                    | -                    |
| Differed Credits   | 10.1, 10.2 & 10.3 | 1,208,780            | (9,890,655)          |
| <b>Operating Cash flow before working capital changes</b>                          |                   | <b>413,408,711</b>   | <b>277,013,904</b>   |
| <b>Working capital adjustments:</b>  |                   |                      |                      |
| Increase /Decrease/ in trade and other receivables, prepayments and VAT receivable | 13, 15, 16        | (109,470,373)        | 12,981,450           |
| Increase/Decrease/ in inventories  | 16                | (184,962,300)        | (264,536,991)        |
| Increase/ Decrease/ in trade and other payables                                    | 28, 31            | 134,996,092          | 25,059,725           |
| Increase/ Decrease/ in termination benefit obligation                              | 27                | 561,580              | 903,465              |
| Increase/Decrease/ in lease liability  | 26                | -                    | -                    |
| <b>Working capital changes</b>   |                   | <b>(158,875,001)</b> | <b>(225,592,351)</b> |
|  |                   | <b>254,533,711</b>   | <b>51,421,554</b>    |
| Bank service charge  | 8                 | 29,466               | 18,071               |
| Dividend payable   |                   | (42,927,570)         | (16,285,365)         |
| Industrial Development Fund  |                   | -                    | (10,856,910)         |
| Income tax paid  | 9c                | (51,935,676)         | (33,136,761)         |
| <b>Net cash flows from operating activities</b>                                    |                   | <b>159,699,931</b>   | <b>(8,839,411)</b>   |
| <b>Cash flow from Investing activities</b>   |                   |                      |                      |
| Purchase of property, plant and equipment  | 11                | (158,696,170)        | (95,879,778)         |
| Purchased intangible asset - ERP   | 19                | -                    | (1,572,353)          |
| <b>Net cash flows used in investing activities</b>                                 |                   | <b>(158,696,170)</b> | <b>(97,452,132)</b>  |
| <b>Financing activities</b>  |                   |                      |                      |
| Interest recived from saving   | 6                 | (14,410,747)         | -                    |
| Repayment of borrowings  |                   | -                    | -                    |
| Leasehold land   | 18.1              | -                    | -                    |
| <b>Net cash flows from/(used in) financing activities</b>                          |                   | <b>(14,410,747)</b>  | <b>-</b>             |
| Net increase/ ( decrease ) in cash and cash equivalents                            |                   | (13,406,987)         | (106,291,542)        |
| Cash and cash equivalents at the beginning of the year                             | 12                | 401,035,819          | 507,327,361          |
| <b>Cash and cash equivalents at the end of the year</b>                            | 12                | <b>387,628,832</b>   | <b>401,035,819</b>   |

The notes on page 7 to 28 with appendix a and b are an integral part of these financial statements



**BERHANENA SELAM PRINTING ENTERPRISE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 07 JULY 2023**

**1. Enterprise information**

The Financial Statements of Berhanena Selam Printing Enterprise for the year ended 7 July 2023 were authorised for issue in accordance with a resolution of the board of Managments. Berhanena Selam Printing Enterprise is a wholly Government owned enterprise incorporated and domiciled in Ethiopia. The registered office is located in Addis Ababa, Arada Sub-city, Woreda 09, House No.984.

Berhanena Selam Printing Enterprise is one of the huge and senior printing enterprises in Ethiopia. It was founded in 1921 by Ras Teferi Mekonen (Later Atse Hailesilase I) in Addis Ababa with the aim of publishing Amharic-Language books and Tracts. The printing press has rendered particularly valuable services by printing newspaper and periodicals starting with the publishing of the “Berhanena Selam” (Which literally means ‘Light & Peace’) newspaper in 1917 G.C. and the enterprise has derived its name from the newspaper. The Enterprise has established Printing Technology Academy since 2016 to improve the skills of its own employees and to enhance the number of professionals in the field of printing on a country level. In addition to this, the Enterprise is actively participating in publishing service starting from 2018. One of the Enterprise’s branch which merhatibeb branch located in Arada Sub city,Benin street around Arada Giyorgis church ceases its printing service due to the objective of a new project proposal to build and operate a 5-star boutique hotel in partnership with Ethiopian Investment Holdings and a foreign Investor & hotel operator known as "The Latitude Hotels".

As per letter ref.no.0030-20/92814 dated May 13,2022 from the office of prime minister, the Enterprise is under the supervision of Investment Holding Authority. Starting From July 08,2023,the Enterprise Tax Related issues will be comunicated with the medium Tax payers branch by shifting from the large tax payers branch.Due to this the profit tax of this accounting period and all issues related to tax will be declared to the medium tax payers branch.

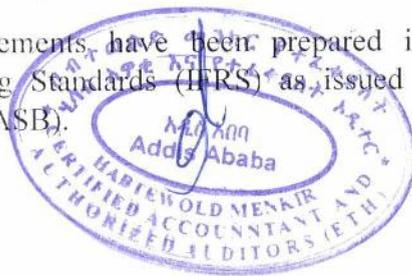
The Financial Statments of the Enterprise has been Audited and updated by Ethiopian Revenue custom Authority large Tax Payers branch untill 2022 budget year and all the discripancies beetween Tax and Accounting treatmens has been Adjusted.

The financial, performance and compliance Audit has been done for the past three Years by TMS Plus Certified Audit Partnership Chartered Certified Accountants(UK).Starting from 2021- 2023, Habtewold Menkir Certified Audit (Ethiopia) Chartered Certified Accountants(UK) auditing for the three consecutive years .

**2. Significant accounting Policies**

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



For all periods up to and including the year ended 7 July 2016, the enterprise prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). The financial statements for the year ended 7 July 2017 has been prepared in accordance with IFRS for the first time.

The financial statements have been prepared on a historical cost basis, except for buildings, Machineries and vehicles classified as property, plant and equipment, which has been revalued for the purposes of obtaining a deemed cost in its opening IFRS statement of financial position dated 8 July 2015.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Enterprise operates ('the functional currency'). The financial statements are presented in Ethiopian Birr ("ETB") which is the Enterprise's functional currency.

## 2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the enterprise in preparing its financial statements:

### 2.2.1 Current versus non current classification

The enterprise presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating
  - Held primarily for the purpose of trading
  - Expected to be realized within twelve months after the reporting period, or
  - Cash or cash equivalent unless restricted from being exchanged or used to settle a
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The enterprise classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

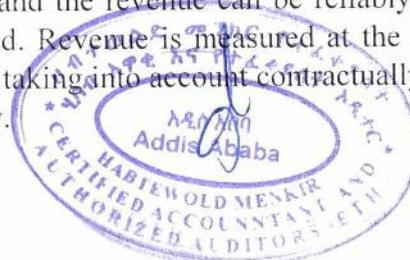
### 2.2.2 Fair value measurement

The enterprise used external consultants for valuation techniques in accordance with international valuation standard that are appropriate in the circumstances and the revaluation amounts are used as a deemed cost for opening IFRS Financial Position for the following class of assets:

- Buildings
- Vehicles and
- Machineries

### 2.2.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the enterprise and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.



The outcome of the transaction can be measured reliably when all the following conditions are satisfied:

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Enterprise;
- when the service delivered at the balance date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized that are recoverable. Revenue from the sale of goods and rendering of services is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

### **Interest income/Expense**

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss. In Berhanena selam printing Enterprise case, the Ethiopian commercial bank borrowing rate which is 11.5% is taken as the Effective interest Rate (EIR).

#### **2.2.4 Foreign currencies**

##### **Functional and presentation currency**

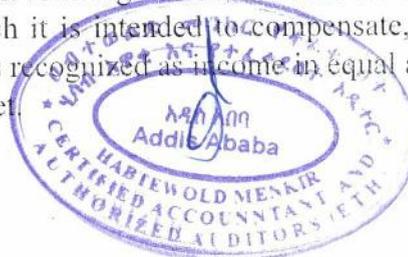
Items included in the financial statements are measured using the currency of the primary economic environment in which the Enterprise operates ('the functional currency'). The financial statements are presented in Ethiopian Birr ("ETB") which is the Enterprise's functional currency.

##### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the enterprise at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies, if any, are retranslated at the functional currency spot rate of exchange ruling at the reporting date. 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.

#### **2.2.5 Government Grants**

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



When the enterprise receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments. The enterprise discloses the government grant for land received free of charge on note 17.2

## 2.2.6 Taxes

### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the enterprise operates and generates taxable income. Taxable profit differs from profit reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Enterprise's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Current income tax relating to items recognized directly in equity if any is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

### Deferred tax

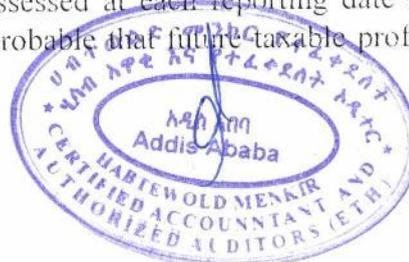
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

Deferred tax assets are recognized for: all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax legislation that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Enterprise, as at the end of the reporting period, expects to recover or settle the carrying amount of these assets and liabilities.

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

### Value added tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the Value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- Receivables and payables are stated with the amount of sales tax included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Proclamation 1157/2019 made changes to the amount of VAT that must be withheld in certain circumstances. Before the proclamation came into force, when VAT was withheld by the buyer per the previous proclamation, the buyer withheld the full amount of the 15% VAT payable. In return, the buyer provided the seller with a voucher related to the VAT withheld. Now, per Proclamation 1157/2019, a buyer need only withhold half (50%) of the 15% VAT payable from the seller; the buyer provides a voucher for the amount so withheld and the buyer pays the balance of the VAT in cash to the seller.

### 2.2.7 Property, plant and equipment (PPE)

Property, plant and equipment (PPE) is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Buildings, Vehicles and machineries are stated at Revalued amounts used as a deemed cost at opening IFRS Financial Position date (8 July 2015), net of accumulated depreciation and/or accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, the enterprise recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if it is probable that future economic benefits associated with the item will flow to the Enterprise and the cost of the item can be measured reliably. When the cost of a major inspection is included in the carrying amount of an item of PPE, the remaining carrying amount of the previous inspection is derecognised. All other repair and maintenance costs are recognized in the profit or loss as incurred.



Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows except for Property, plant and equipment items of Buildings, Vehicles and machineries stated at Revalued amounts and used as a deemed cost at opening IFRS Financial Position date (8 July 2015). For the following items straight line basis is used over the estimated remaining useful lives.

| <u>Type of PPE</u>     | <u>Useful</u> |             |
|------------------------|---------------|-------------|
|                        | <u>life</u>   | <u>Rate</u> |
| Building               | 20            | 5%          |
| Land Improvement       | 20            | 5%          |
| Machinery              | 6,8           | 16% , 12%   |
| Motor Vehicles         | 5             | 20%         |
| Furniture & Fixture    | 10            | 10%         |
| Computer & Accessories | 10            | 10%         |
| Office Equipment       | 10            | 10%         |
| Tools and equipment    | 5             | 20%         |

Machinery is assumed to be depreciated at rate of 16 % for first year and at 12 % for the rest of its economic life.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized except for derecognized item of property, plant and equipment at opening IFRS Financial Position date which do not satisfy the capitalization criteria which is directly charged to equity.

Assets costing less than Birr 5,000 each are expensed at the time of acquisition.

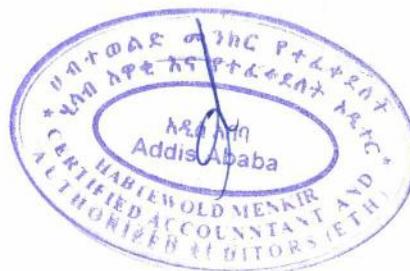
## 2.2.8 Leases

### Right-of-use asset - Land

The enterprise is party to lease arrangements over land. The Enterprise recognizes right-of-use assets and the related liabilities at the commencement date for all lease arrangements that are entered into that convey the right to control the use of identified assets for a period of time. The commencement date of the lease is the date when the lessor makes the asset available for use by the enterprise.

The right-of-use assets are initially measured at the lower of the fair value of the property and the present value of the minimum lease payments, which comprises the following:

The amount of the initial measurement of the liability;



- All lease payments made at or before the commencement date of the lease, less any lease incentives provided to the Enterprise by the lessor;
- All initial direct costs incurred by the Enterprise in respect of the lease;
- An estimate of the costs that will be incurred by the Enterprise for dismantling and restoring the leased asset by the Enterprise at the end of the lease term.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and are adjusted for any remeasurement of the lease liability.

Amortization is calculated on a straight-line method over the term of the lease or the useful life of the asset, whichever is the shorter. In the case of the lease hold land the cost is amortized over the lease period.

### Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date including fixed payments, less any incentive payments that will be receivable by the Enterprise from the lessor;

The lease payments are discounted using the Enterprise's incremental borrowing rate which is 11.5%. After initial recognition date, the Enterprise accounts for the lease liabilities by reducing the carrying amount to reflect payments made on the lease; Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

### 2.2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

### 2.2.10 Financial instruments — Initial recognition and subsequent measurement

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

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



## l) Financial assets

### Initial recognition and measurement

Financial assets of the enterprise are classified, at initial recognition, loans and receivables, and held-to-maturity investments based on the purpose for which the financial assets are acquired.

All financial assets are recognized initially at fair value plus or minus transition cost.

### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### Loans and receivables

This category is the most relevant to the enterprise. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Trade receivables are amounts due from customers for delivery of print products . If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets. A provision for impairment of receivables is established when there is objective evidence that the Enterprise will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit or loss.

#### Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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



## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

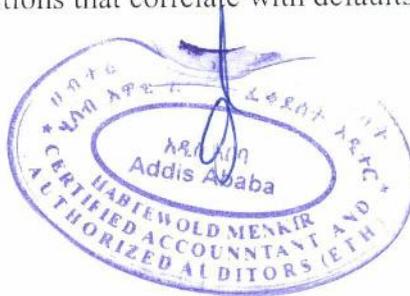
- The rights to receive cash flows from the asset have expired, or
- The enterprise has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either
  - (a) the enterprise has transferred substantially all the risks and rewards of the asset, or
  - (b) the enterprise has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the enterprise has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of its continuing involvement in it. In that case, the Enterprise also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that it has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the enterprise could be required to repay.

## Impairment of Financial Assets

The enterprise assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



## i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the enterprise first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the enterprise determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the enterprise. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

## ii) Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The enterprise's financial liabilities include trade and other payables, loans and borrowings.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as follows:



## Loans and borrowings and trade payables

This is the category most relevant to the enterprise. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Effective interest method is a method of calculating the amortized cost of a financial liability and to allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction and costs and other premium or discount) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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

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

### Derecognition

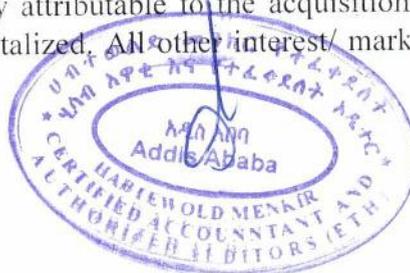
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### 2.2. 11 Borrowing cost

Interest/mark-up directly attributable to the acquisition/ construction/ installation of qualifying assets is capitalized. All other interest/ mark-up are charged to profit and loss account directly.



### 2.2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- (i) Finished products at the lower of average cost or market;
- (ii) Work in process at actual production cost; and
- (iii) Raw materials, packing materials, spare parts and other stocks at moving average cost.

### 2.2.13 Non-current assets classified as held for sale

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

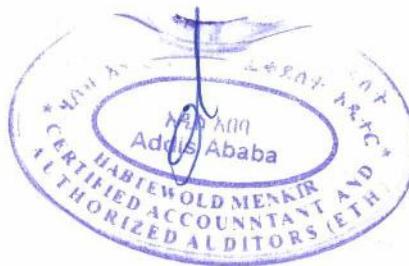
Assets that meet the above criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease.

### 2.3.14 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarized in the following notes:

The enterprise assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the enterprise estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or Cash Generating Unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.



For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the enterprise estimates the asset's or Cash Generating Unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss. Hence, there is no impaired asset during the reporting period.

### 2.2.15 Employee termination benefits

The enterprise is obliged by law to pay severance payment for eligible employees who served the enterprise for more than 5 years when the employment is terminated. The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services. Accordingly the present value of post employment benefit obligation (severance) and the related current service cost were measured using the projected unit credit method.

Disclosures relating to measurement and recognition of employee termination benefit (severance payment) summarized in note 27 :

### 2.2.16 Legal reserve

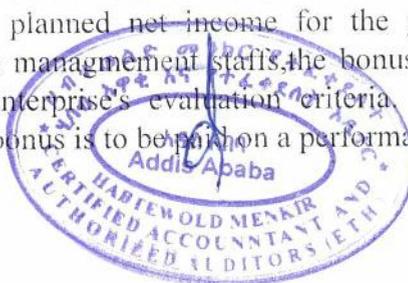
No less than one-twentieth (5%) of the annual net profit of the Enterprise shall be transferred to the legal reserve fund until such fund amounts to one-fifth (20%) of the capital of the Enterprise. It is utilized upon the decision of the supervising authority, to cover losses incurred by the Enterprise or to expand the activities of the Enterprise.

### 2.2.17 Provisions

Provisions 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 the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### 2.2.19 Leave and Bonus accrual

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date. Employees' Entitlement to annual bonus are recognized if and only if the Enterprise achieve its planned net income for the year as per the collective agreement whereas, for the management staffs, the bonus payment will be made as per ministry of public Enterprise's evaluation criteria. A Provision is made for Reporting date. Hence, the bonus is to be paid on a performance basis.



## 2.2. 20 Related parties

A party is related to an entity if, inter alia

The enterprise discloses the nature of relationships between the enterprise and its related parties irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent which in this case is the FDRE Government.

The entity also discloses information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- (a) the amount of the transactions;
- (b) the amount of outstanding balances,
  - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - (ii) details of any guarantees given or received;
- (c) provisions for doubtful debts related to the amount of outstanding balances; and
- (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

## 3. Significant accounting judgements, estimates and assumptions

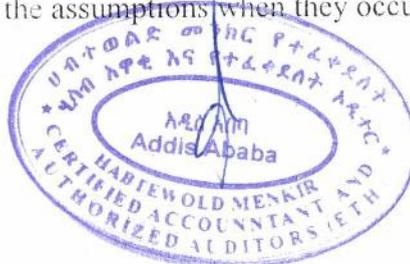
The preparation of the Enterprise's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

### Judgements

In the process of applying the Enterprises' accounting policies, management has not encountered any situation that calls for any a significant judgements, which have significant effect on the amounts recognized in the financial statements:

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Enterprise based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the enterprise. Such changes are reflected in the assumptions when they occur.



## Employee termination benefit

The cost of post employment benefit and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and employee turnover rates . Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a post employment benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the salary increment rate and date of employee termination. In determining the appropriate salary increment rate, management has taken historical data and estimated rate of salary increment using growth rate calculation formula.



**4 REVENUE**

The following are analysis of the enterprise's revenue for the year:

|                                  | <u>07 July 2023</u>  | <u>07 July 2022</u> |
|----------------------------------|----------------------|---------------------|
| Job printing                     | 368,313,593          | 338,542,132         |
| News paper                       | 191,845,490          | 106,700,824         |
| Security printing                | 385,158,580          | 219,442,140         |
| Book printing                    | 122,832,260          | 7,551,324           |
| Stationary and other materials   | 4,553,732            | 6,469,867           |
| Rubber stamp, cliché and binding | 911,368              | 1,196,838           |
|                                  | <u>1,073,615,022</u> | <u>679,903,126</u>  |

**4.1 Source of revenue**

From The total Revenue in 2023, Major Customers listed below are contributed ETB 398.65 Million which is 37% of the Total Revenue and each are contributed 10% or more to the Enterprises Revenue for This Accounting Period.

**4.2 Information about Revenues arising from contracts with customers**

Included in revenue arising from sales of goods are revenues of approximately 398.65 million which arose from sales to the enterprises' largest customer as shown in the schedule below. No other customers contributed 10 % or more to the enterprises revenue for the reporting period of July 07, 2023.

**Related Parties**

|                            | <u>07 July 2023</u> | <u>07 July 2022</u> |
|----------------------------|---------------------|---------------------|
| National Education         | 279,309,572         | 123,374,756         |
| Ethiopian Energy Authority | -                   | 91,176,545          |
| Ministry Of Health         | -                   | 78,631,211          |
| Ethiopian Press Agency     | 119,342,879         | 67,375,906          |
|                            | <u>398,652,451</u>  | <u>360,558,419</u>  |

**5 COST OF GOODS SOLD**

Currency: Ethiopian Birr

|                                |                    | <u>07 July 2022</u> |
|--------------------------------|--------------------|---------------------|
| Work in process - beginning    | 46,192,747         | 39,656,904          |
| Direct materials               | 259,444,249        | 113,402,856         |
| Direct labor                   | 65,872,125         | 59,090,516          |
| Indirect material              | 26,639,437         | 12,652,174          |
| Indirect labor                 | 60,505,687         | 42,400,902          |
| Employee benefit               | 95,165,417         | 68,998,161          |
| Production overhead            | 10,888,044         | 19,882,491          |
| Depreciation                   | 26,369,915         | 17,152,633          |
|                                | <u>591,077,621</u> | <u>373,236,637</u>  |
| Add: Finished goods-beginning  | 25,860,897         | 26,815,133          |
| Less: Finished goods-ending    | (25,483,786)       | (25,860,897)        |
| Less: work in process - ending | (102,042,450)      | (46,192,747)        |
|                                | <u>489,412,282</u> | <u>327,998,126</u>  |

- 5.1 The change of Direct material cost of ETB 146.04 million is due to high volume of sales during the accounting Period. In addition There is an increment of ETB 26.17 million with regard to Employee benefit like Bonus expenses as there is a salary increment resulted from Enterprise's restructuring and accomplishing its financial budget objectives during this fiscal period.



**6 OTHER OPERATING INCOME**

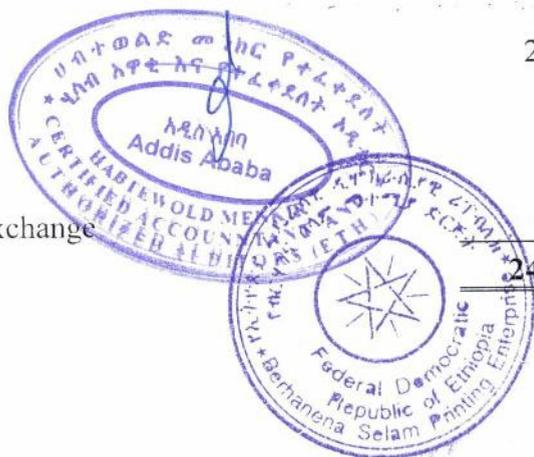
|                             | <u>07 July 2023</u>      | <u>07 July 2022</u>      |
|-----------------------------|--------------------------|--------------------------|
| Scrap and cut of paper      | 21,458,805               | 14,065,166               |
| Fine and other              | 2,294,749                | 1,486,203                |
| Bid bond                    | 121,112                  | 440,034                  |
| Income from Training Center | 4,314,167                | 3,487,924                |
| Interest Income             | 14,410,747               | 19,340,129               |
| Other income from rent      | 12,864,653               | 900,870                  |
|                             | <u><b>55,464,233</b></u> | <u><b>39,720,326</b></u> |

## 6.1

The Enterprise has rented its Entertainment club with a monthly income of birr 91,304.35 before Vat for one year and earned a total Rental income of ETB 1,095,652.17 before vat. In addition, the Enterprise has rented the printing technology academy building block ground floor for Cooperative bank of Oromia for Bank Purpose only. Out of the total building built up area of 1,072.4 M<sup>2</sup>, 182.48 m<sup>2</sup> is rented portion which is 17% of the total area of the building. Each meter square area generates birr 1,043.47 per month and agreed to earn ETB 11,424,744 before VAT for about five years starting from August 9,2022. In addition to this, the Enterprise has also rented 220m2 for a parking lot with ETB 26.08 per month for five years with a total rent income of ETB 344,256. Therefore, the total Rent Income is ETB 11,769,000 before VAT for the total 5 years. According to IAS 40.1 the partition occupied by the owner is not significant. Therefore, it can not be taken as an investment property and it is outside the scope of IAS 40.1. See Appendix B for Rent income Tax calculation.

**7 GENERAL AND ADMINISTRATION EXPENSES**

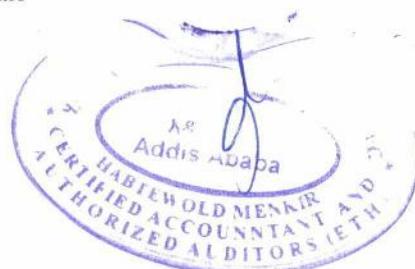
|                                    | <u>07 July 2023</u>       | <u>07 July 2022</u>       |
|------------------------------------|---------------------------|---------------------------|
| Salary, wages and related benefit  | 136,656,511               | 77,030,648                |
| Utilities                          | 617,648                   | 543,408                   |
| Telephone, Postage and Telex       | 1,140,484                 | 822,802                   |
| Stationery and office supplies     | 1,495,334                 | 1,543,185                 |
| Insurance                          | 3,913,992                 | 3,217,121                 |
| Repair and maintenance of building | 6,643,448                 | 10,909,374                |
| Travel and transport               | 8,872,321                 | 3,324,761                 |
| General services and sanitation    | 371,603                   | 373,178                   |
| Licenses for land and building tax | 361,638                   | 588,414                   |
| Depreciation                       | 20,553,692                | 16,108,453                |
| Annual membership fee              | 36,000                    | 33,234                    |
| General advertising                | 775,566                   | 2,231,122                 |
| Contribution and donation          | 12,416,623                | 3,855,713                 |
| Commission Expense                 | 37,245                    | 54,135                    |
| Provision For Stock Obsolescence   | (614,977)                 | 1,053,366                 |
| Entertainment                      | 18,365,671                | 4,670,248                 |
| Food & Accommodation               | 2,702,998                 | -                         |
| Miscellaneous                      | 23,089,738                | 5,688,982                 |
| Board fee (7.1)                    | 714,000                   | 558,600                   |
| Audit fee                          | 91,300                    | 77,995                    |
| Amortization                       | 109,252                   | 109,252                   |
| Gain or loss on foreign Exchange   | 1,684,624                 | 826,860                   |
|                                    | <u><b>240,034,711</b></u> | <u><b>133,620,850</b></u> |





## 9 TAXATION

|  | <u>07 July 2023</u> | <u>07 July 2022</u> |
|--|---------------------|---------------------|
| <b>(a) Income tax expense</b>  |                     |                     |
| Current taxation based on the taxable profit for the year at 30% (Note 9b) | 132,521,292         | 66,116,126          |
| ADD/DED/: Deferred tax charge (Note 10.1)                                  | (1,377,254)         | 9,619,615           |
| LESS: Deferred tax credit (Note 10.3 )                                     | (168,474)           | (271,040)           |
|  | <u>130,975,564</u>  | <u>75,464,701</u>   |
| <b>(b) Tax expense computation</b>   |                     |                     |
| Net profit before taxation   | 381,497,067         | 251,849,292         |
| <u>Deductible:</u>   |                     |                     |
| Depreciation per tax law (Note 10.2)                                       | (42,419,273)        | (66,435,160)        |
| <u>Add: Non allowable expenses</u>   |                     |                     |
| Depreciation per Enterprise policy (Note 11)                               | 46,923,607          | 33,261,086          |
| Provision for doubtful debts (Note 13.2)                                   | 4,142,073           | 2,525,144           |
| Interest Income (Note 6)   | (14,410,747)        | (19,340,129)        |
| Foreign currency gain or loss  | 1,684,624           | 826,860             |
| Gain or loss on valuation of bond (Note 14)                                | (103,139)           | (92,531)            |
| Severance provision (Note 27)  | 561,581             | 926,127             |
| Maternity Funeral  | 68,718              | -                   |
| Leave Pay  | 18,674,242          | 8,904,524           |
| Legal Fee  | 77,628              | -                   |
| Other Expenses   | 20,331,541          | -                   |
| Fuel Allowance   | 6,344,050           | 3,291,629           |
| Entertainment  | 18,365,671          | 4,670,248           |
| Taxable profit   | <u>441,737,641</u>  | <u>220,387,088</u>  |
| Income tax at 30%  | 132,521,292         | 66,116,126          |
|  | <u>132,521,292</u>  | <u>66,116,126</u>   |
| <b>(c) Statement of financial position - Tax payable</b>                   |                     |                     |
| At the beginning of the year   | 51,935,676          | 33,136,761          |
| Paid during the year   | (51,935,676)        | (33,136,761)        |
|  | -                   | -                   |
| Current year tax payable ( Note 10b)                                       | 132,521,292         | 66,116,126          |
| Less: Withholding tax  | (21,788,147)        | (14,180,450)        |
|  | <u>110,733,145</u>  | <u>51,935,676</u>   |



## 10 Deferred tax

Deferred taxation is estimated on all temporary differences under the liability method using the currently enacted tax rate of 30%. Deferred tax are presented in the statement financial position on a net basis.

### (10.1) Deferred tax liability

The fact that revaluation amount is not allowed for tax purpose gives rise to taxable temporary difference between tax base and carrying amount of PPEs. Deferred tax asset arises on the temporary difference between carrying amount of PPE and its tax base. The depreciation rate used for tax purpose as per the new Income tax proclamation no No.979/ 2016 and the rate used for IFRS purpose are also different which also gives rise to deferred tax asset. Hence, the current tax rate of 30% has been applied to the temporary difference to arrive at deferred tax liability amounting ETB 44,902,182 as of 7th June 2023. The change in the statement of profit or loss for the year ended on 7th June 2021 amounting ETB 1,377,254 is in respect of the Decrease in deferred tax liability.

The Income tax proclamation No.979/ 2016 has been issued on 2016 and become effective for the period ended July 7, 2017. This proclamation revokes the pooling system and permits entities to separately calculate depreciation on each individual asset by applying the rate specified under regulation No. 410/2017 article 39 using either declining balance method or straight line methods. Accordingly, the enterprise has opted to use straight line method to determine depreciation for depreciable asset or business intangibles which are acquired on or after July 8, 2016.

### Deferred tax asset (liability)

|   | <u>07 July 2023</u>      | <u>07 July 2022</u>      |
|---|--------------------------|--------------------------|
| Tax base of the asset at July 7, (Note 10.2)                              | 271,279,911              | 149,854,193              |
| Book value of the asset at July 7, (Note 10.2)                            | <u>420,953,850</u>       | <u>304,118,979</u>       |
| Temporary difference  | <u>149,673,939</u>       | <u>154,264,786</u>       |
| Deferred tax asset /liability on temporary differences at 30% (Note 10.2) | <b><u>44,902,182</u></b> | <b><u>46,279,436</u></b> |

### (10.2) Deferred tax calculation

| <u>Particulars</u>                 | <u>Buildings</u>    | <u>Computer and accessories</u> | <u>Other Assets</u> | <u>Total</u>               |
|------------------------------------|---------------------|---------------------------------|---------------------|----------------------------|
| Tax Law Depreciation Rate          | 5%                  | 20%                             | 15%                 |                            |
| Written down value 08 July 2022    | 105,002,829         | (10,388,705)                    | 55,240,068          | 149,854,193                |
| Addition at cost                   | 37,616,150          | 11,531,806                      | 114,697,035         | 163,844,991                |
| Disposal Proceeds/Adj.             | -                   | -                               | -                   | -                          |
| Sub total                          | 142,618,980         | 1,143,101                       | 169,937,103         | 313,699,184                |
| Tax law depreciation               | <u>(7,149,999)</u>  | <u>(4,485,174)</u>              | <u>(30,784,100)</u> | <u>(42,419,273)</u>        |
| Written down value 07 July 2023    | <u>135,468,981</u>  | <u>(3,342,073)</u>              | <u>139,153,003</u>  | <u>271,279,911</u>         |
| Book Value                         | <u>209,271,172</u>  | <u>22,728,582</u>               | <u>188,954,096</u>  | <u>420,953,850</u>         |
| Temporary Difference               | <u>(73,802,191)</u> | <u>(26,070,655)</u>             | <u>(49,801,093)</u> | <u>(149,673,939)</u>       |
| <b>Deferred Tax Balance (30 %)</b> |                     |                                 |                     | <b><u>(44,902,182)</u></b> |



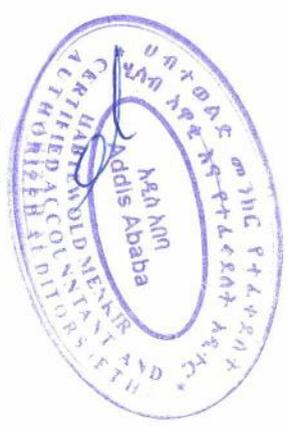
**(10.3) Deferred tax asset**

Deferred tax asset arises on the temporary difference between carrying amount of termination benefit obligation and its tax base. Under Ethiopian tax law, severance payment is deductible when the employee actually terminates and when the obligation is settled in cash where as IFRS requires recognition of termination benefit obligation as the employee becomes entitled for the benefit for the service he/she rendered during the period regardless of payment. This gives rise to deductible temporary difference between tax base and carrying amount of employee benefit obligation at the reporting date. For the year ended on July 7, 2023 the temporary deductible difference amounts to ETB 23,003,211 and hence applying 30 % on the temporary difference results in deferred tax asset amounting ETB 6,900,963 in 2023. The change amounting ETB 168,474 has been recognized as deferred tax credit which is netted off against income tax expense.

|  | <b>Currency: Ethiopian Birr</b> |                                |
|--|---------------------------------|--------------------------------|
|  | <u><b>07 July 2023</b></u>      | <u><b>07 July 2022</b></u>     |
| Tax base of the liability at July 8, 2022          | -                               | -                              |
| Book value of the liability at July 7, 2023        | <u>23,003,211</u>               | <u>22,441,630</u>              |
| Temporary deference                                | <u>23,003,211</u>               | <u>22,441,630</u>              |
| Deferred tax asset on temporary differences at 30% | <u><u><b>6,900,963</b></u></u>  | <u><u><b>6,732,489</b></u></u> |



PROPERTY, PLANT AND EQUIPMENT



Currency: Ethiopian Birr

|                   | Buildings          | Land improvement& Fence | Plant and Machinery, | Tools and equipment | Motor vehicle     | Furniture, fixture and fittings | Office equipment | Computer and accessories | Construction in progress | Total              |
|-------------------|--------------------|-------------------------|----------------------|---------------------|-------------------|---------------------------------|------------------|--------------------------|--------------------------|--------------------|
| At 8 July 2022    | 217,615,732        | 2,008,415               | 175,036,485          | 12,984,960          | 55,373,220        | 3,242,861                       | 2,114,418        | 33,437,446               | 53,060,810               | 554,874,346        |
| Additions         | 26,908,941         | 10,707,289              | 96,000,510           | 12,011,096          | 6,600,000         | 48,261                          | -                | 11,531,806               | (5,197,001)              | 158,610,896        |
| Disposal/Transfer | -                  | -                       | -                    | -                   | -                 | -                               | -                | (85,275)                 | -                        | (85,275)           |
| At 7 July 2023    | <u>244,524,673</u> | <u>12,715,704</u>       | <u>271,036,995</u>   | <u>24,996,050</u>   | <u>61,973,220</u> | <u>3,291,122</u>                | <u>2,114,418</u> | <u>44,883,977</u>        | <u>47,863,808</u>        | <u>713,399,967</u> |

ACC. DEPRECIATION

|                     |                   |                  |                    |                   |                   |                  |                  |                   |   |                    |
|---------------------|-------------------|------------------|--------------------|-------------------|-------------------|------------------|------------------|-------------------|---|--------------------|
| At 8 July 2022      | 37,350,555        | 2,008,405        | 96,185,274         | 8,039,182         | 33,199,680        | 957,813          | 822,723          | 19,130,924        | - | 197,694,558        |
| Charge for the year | 8,133,555         | 476,691          | 24,421,500         | 3,172,495         | 7,134,925         | 316,494          | 207,621          | 3,060,322         | - | 46,923,603         |
| Disposal/Transfer   | -                 | -                | -                  | -                 | -                 | -                | -                | (35,852)          | - | (35,852)           |
| At 7 July 2023      | <u>45,484,110</u> | <u>2,485,096</u> | <u>120,606,774</u> | <u>11,211,677</u> | <u>40,334,606</u> | <u>1,274,308</u> | <u>1,030,344</u> | <u>22,155,395</u> | - | <u>244,582,309</u> |

NET BOOK VALUE

|                 |             |            |             |            |            |           |           |            |            |             |
|-----------------|-------------|------------|-------------|------------|------------|-----------|-----------|------------|------------|-------------|
| At 07 July 2022 | 180,265,177 | 10         | 78,851,211  | 4,945,778  | 22,173,540 | 2,285,048 | 1,291,694 | 14,306,522 | 53,060,810 | 357,179,789 |
| At 07 July 2023 | 199,040,563 | 10,230,609 | 150,430,222 | 13,784,373 | 21,638,615 | 2,016,814 | 1,084,074 | 22,728,582 | 47,863,808 | 468,817,659 |

Currency: Ethiopian Birr

**12 Cash and cash equivalents**

|                                  | <u>07 July 2023</u>       | <u>07 July 2022</u>       |
|----------------------------------|---------------------------|---------------------------|
| Cash at banks                    | 387,628,832               | 392,203,492               |
| Cash on hand                     | -                         | 8,832,327                 |
| <b>Cash and cash equivalents</b> | <b><u>387,628,832</u></b> | <b><u>401,035,819</u></b> |

12.1 Cash at banks which are deposited as saving earns interest at floating rates based on daily bank deposit rates. Cash and Cash equivalents has been assessed for impairment and there is no any impairment during this accounting period.

**13 Financial assets at amortized cost:**

|   | <u>07 July 2023</u>       | <u>07 July 2022</u>       |
|---|---------------------------|---------------------------|
| Trade receivables                                       | 116,490,828               | 43,816,764                |
| VAT Receivable  | 7,763,333                 | 27,116,066                |
| Investment in Government bond                           | 2,599,000                 | 896,861                   |
| Staff Debtors   | 9,771,906                 | 11,896,396                |
| Sundry receivables                                      | 54,351,107                | 32,337,711                |
| <b>Total financial assets</b>                           | <b><u>190,976,173</u></b> | <b><u>116,063,798</u></b> |
| <b>Total non-current</b>                                | <b><u>2,599,000</u></b>   | <b><u>896,861</u></b>     |
| <b>Total current</b>                                    | <b><u>188,377,173</u></b> | <b><u>115,166,937</u></b> |
| <b>Less: Allowance for doubtful accounts(Note 13.2)</b> | <b><u>(4,607,689)</u></b> | <b><u>(6,484,405)</u></b> |
|   | <b><u>183,769,485</u></b> | <b><u>108,682,532</u></b> |



The enterprise provide Staff loans for its managment members a 12 month basic salary that has to be repayed for 3 years ,and a 6 month basic salary for middle level managements to be repayed for 3 years and the Rest staffs will be borrowed 2 months Basic salary to be repayed Annually.Staff debtors has been assessed for impairment and there is no any impairment during this accounting period . Note that Staff loans are Interest free.

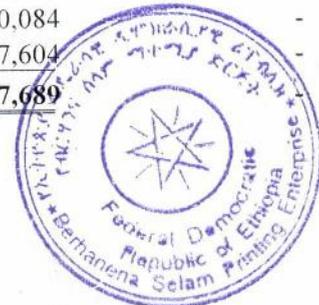
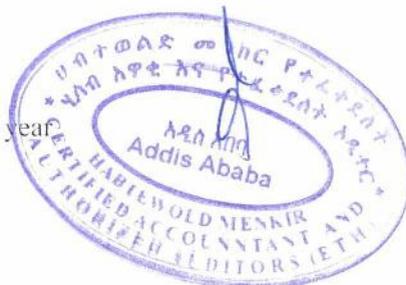
**13.1 Trade and other receivables**

Trade and other receivables are non-derivatives financial assets carried at amortized cost which do not generate a fixed or variable interest income for the Enterprise. The carrying value may be affected by changes in the credit risk of the counterparties, Vat Receivable of ETB 7,763,333 has been presented on the financial statement alone previously but reclassified for the sake of readability during this accounting period.

**13.2 Allowance for Impairment losses on trade Receivables**

As at 7 July 2023, trade receivables with carrying value of ETB 4,607,689 were impaired and fully provided. Where as, the full amount is provided due to late delivery and poor quality printing where the customers are in dispute to settle the amount. No other provision has been made in respect of outstanding balance as all of the amounts are due from government owned entity's (related party).out of the previous provided amount of ETB 6,484,321,Doubtful debts of ETB 4,534,321 has been written of during the Accounting Period. See below for the movements in the provision for impairment of receivables:

|                                | <u>Individually<br/>impaired</u> | <u>Collectively<br/>impaired</u> | <u>Total</u>            |
|--------------------------------|----------------------------------|----------------------------------|-------------------------|
| At 8 July 2022                 | 6,484,405                        | -                                | 6,484,405               |
| Written off amount             | (4,534,321)                      | -                                | (4,534,321)             |
|                                | 1,950,084                        | -                                | 1,950,084               |
| Additional charge for the year | 2,657,604                        | -                                | 2,657,604               |
| At 7 July 2023                 | <b><u>4,607,689</u></b>          | <b><u>-</u></b>                  | <b><u>4,607,689</u></b> |



**14 Investment in Government bond.**

This investment in a government bond is held to maturity. The Enterprise has purchased Great Ethiopian Renaissance Dam Bonds on April 5, 2018 worth ETB 1,000,000 with maturity date on April 4, 2024. The investment bears no interest and is repayable at the maturity of the bonds. The investment in bond is to be accounted for at amortized cost, present valued using effective interest method. Hence, the difference between the discounted amount and face value of the investment amounting ETB 103,139 is recognized as a gain on valuation of bond in the statement of profit and loss. See Appendix A.

Since Government Bond is rated as Risk free investment, there is no impairment to be incurred in relation to this during the accounting period.

**15 Advances and prepayment**

|                 | <u>07 July 2023</u> | <u>07 July 2022</u> |
|-----------------|---------------------|---------------------|
| Advance payment | 43,382,510          | 8,999,089           |
| Deposits        | 14,333              | 14,333              |
|                 | <u>43,396,843</u>   | <u>9,013,422</u>    |

This is related to advance payment made to the enterprise's major suppliers for purchase of raw materials and services to be delivered in the future.

**16 Inventories**

|  | <u>07 July 2023</u> | <u>07 July 2022</u> |
|--|---------------------|---------------------|
| Work in Progress   | 102,042,450         | 46,192,747          |
| Finished Products  | 25,483,786          | 25,860,897          |
| Raw Material   | 359,423,795         | 362,224,108         |
| Spare Part and Other Stores  | 115,616,383         | 77,074,768          |
|  | 602,566,414         | 511,352,521         |
| Pro. For Stock Obsolescence  | (966,517)           | (1,581,494)         |
| Goods in transit   | 213,656,388         | 120,522,958         |
| <b>Total inventories at the lower of cost and net realizable value</b> | <u>815,256,284</u>  | <u>630,293,984</u>  |

17.1 The cost of Raw Materials consumed during the year was ETB 359,423,795 (7 July 2021 ETB 362,224,108). This is recognized in cost of sales. Spare parts and other stores of ETB 115,616,383 are checked regarding with its category and doesn't meet the definition of Property, Plant and equipment as per IAS 16 paragraph 8.

The Enterprise has the legal title or ownership to the goods in transit of ETB 213,656,388.

Scrap disposals are shown under Raw materials movement.



**17 Right use of asset ( Land )**

|                                   | Balance at<br>08 July 2022 | Additions       | Balance at<br>07 July 2023 |
|-----------------------------------|----------------------------|-----------------|----------------------------|
| Cost of land                      | 1,639,973                  |                 | 1,639,973                  |
| Less: Amortization and impairment | (51,741)                   | (17,247)        | (68,988)                   |
|                                   | <u>1,588,232</u>           | <u>(17,247)</u> | <u>1,570,985</u>           |

17.1 The Enterprise has leased 3,000 square meters of land from Addis Ababa City Administration Kality Sub city for 50 years at a cost of ETB 862,350.18. The average lease payment period is 20 years. An advance payment of ETB 172,470 has been effected to Addis Ababa city government land development Agency and then a serious of payment has been made. The Enterprise may transfer a leasehold right or use it as a collateral or capital contribution to the extent of the lease amount already paid. The lease is amortized over its lease period of 50 years. Currently, there is a change in lease agreement starting from July 09, 2019. Due to this change, the Enterprise has requested in written form for return of Interest paid in the previous period. If the letter is accepted by Addis Ababa city government land development Agency, the amount to be collected will be 294,874 otherwise there will be a lease liability of ETB 275,952.

The Enterprise has also leased 605 square meters of land from S/N/N/P region for 50 years at a cost of ETB 534,820 to contract G-6 building and an advance payment of 10% which is ETB 53,482 has been effected during 2019, where as the lease agreement hasn't been sent yet.

The enterprise also expands Abuare branch compound with plot area 636.78 Square meter at a cost of 1,221.18 per square meter by paying the full lease amount ETB 777,623.00 on 24 June, 2021.

17.2 The Enterprise has also secured the right to use of the following plots of land from the Government free of charge yet opted not to recognize in the financial statements as a government grant .

i.) The enterprise's head office located in Arada sub city ,kebele 07 ,Addis Ababa with a plot area of 16,404 M2 with an estimated value of ETB 6,118,692

ii.) The Merha Tibe Branch office located at Arada sub city , Addis Ababa with a plot area of 2,141 M<sup>2</sup> with an estimated value of ETB 584,493

iii.) The branch office located at Yeka Sub City, Addis Ababa with a plot area of 8,470 M<sup>2</sup> with an estimated value of ETB 2,312,310

The values of the right of use of those lands are determined based on the current lease rate of the sites which is ETB 373/M<sup>2</sup> at head office site ,and ETB 273/M<sup>2</sup> at branch office sites.

**18 Intangible Asset**

In the financial year 2020 ,the Enterprise has acquired Enterprise Resource Planning (ERP) system based on the agreement reached with local ERP Software developing company called Hilmark Ethiopia Plc, with original cost of ETB 1,757,500 exclusive of VAT. The system has integrated 10 modules with an estimated life of Twenty years. During 2022 accounting period, the Enterprise acquired Website hosting service with original cost of ETB 82,609 exclusive of Vat with the estimated useful life of Five years.

| Cost                | ERP system       | system under<br>development | Total            |
|---------------------|------------------|-----------------------------|------------------|
| As at July 08 2022  | 1,840,109.00     | -                           | 1,840,109.00     |
| addition            | -                | -                           | -                |
| disposal/transfer.  | -                | -                           | -                |
| As at June 07 2023  | 1,840,109        | -                           | 1,840,109        |
| Amortization        | (267,755.44)     | -                           | (267,755.44)     |
| As at July 08 2022  | (92,005)         | -                           | (92,005)         |
| charge for the year | -                | -                           | -                |
| disposal/transfer   | (359,761)        | -                           | (359,761)        |
| As at June 30 2023  | 1,480,348        | -                           | 1,480,348        |
| Book value          | <u>1,480,348</u> | <u>-</u>                    | <u>1,480,348</u> |



**19 CAPITAL**

As per Berhanena Selam Printing Enterprise establishment council of ministers (Amendment) Regulation no.412/2017, the authorised capital of the enterprise is birr 1,528,700,000. Effective date of this regulation is 31 August, 2017. On July 07, 2022 the paid up capital balance reached a balance of ETB 1,067,852,817. According to Public Enterprise proclamation No.25/1992, the Authorised capital of Enterprise shall be fully paid up within 5 years from the date of its establishment (sub article 20.2). In addition where the Authorised capital is not fully paid up as provided under sub article 20.2, the supervising Authority shall, without prejudice to the rights of third parties, adjust the capital to the level of the paid up capital. Based on this proclamation, the Enterprise will not have additional capital increment starting from this Accounting Period.

**20 LEGAL RESERVE**

The legal reserve is a statutory reserve to which no less than one-twentieths of the annual net profit of the Enterprise is transferred until such fund amounts to one-fifth of the capital of the Enterprise. Currently, the Balance has been increased by ETB 12,976,338 and Reached a balance of ETB 40,069,688. As per the directive of the public Enterprise holding and administration Agency, special bank account has been opened and deposited in every accounting period.

**21 RETAINED EARNINGS**

The retained earning balance represents the amount available for distribution to the owner of the enterprise. Currently, there is a balance of ETB 156,955,583 on July 07, 2023.

**22 First time IFRS adoption revaluation reserve**

Valuation of Buildings, land improvement, Machineries and Vehicles were performed as at 7 July 2015 to determine the fair value, which has now been treated as a deemed cost at the date of the translation to IFRS. The balance included in First time IFRS adoption revaluation reserve is the surplus of the revaluated amount over the carrying amount and was transferred to this surplus account net of deferred tax arising from revaluation of PPE. This Reserve only includes gain or loss arising from property, plant and equipment as per IAS 16.

**23 Financial liabilities at amortized cost:**

|                                    | <u>07 July 2023</u>       | <u>07 July 2022</u>      |
|------------------------------------|---------------------------|--------------------------|
| Trade and other payable            | 176,091,608               | 55,521,881               |
| Current portion of Long term loan  | -                         | -                        |
| Long term loans (Note 24)          | -                         | -                        |
| Lease liability                    | 275,952                   | 275,952                  |
| Termination benefit obligation     | -                         | 22,441,629               |
| <b>Total financial liabilities</b> | <b><u>176,367,560</u></b> | <b><u>78,239,462</u></b> |
| <b>Total current</b>               | <b><u>176,091,608</u></b> | <b><u>55,521,881</u></b> |
| <b>Total non-current</b>           | <b><u>275,952</u></b>     | <b><u>22,717,581</u></b> |

**24 Long term loan**

There is no any long term loan during this accounting period.

The Enterprise has annually renewable overdraft facility with annual interest rate of 12% and a maximum limit of birr 60 million. The enterprise uses the overdraft whenever there is a shortage. As a result the maximum amount of overdraft utilized during the budget year was birr 34,839,819.02 which is happened in the month of November 2022.

**25 Lease liability****Lease arrangement**

The enterprise leased a land under the lease arrangement. The average lease term was 20 years. But now the lease agreement has been changed and the lease liability currently has a balance of ETB 275,952.00. If an agreement is reached with Akaki Kality sub-city for interest paid before the handover of the land, then instead of lease payable the account will be changed to receivable amount which is birr 294,873.62.

Since the agreement between the Enterprise and the concerned government body is not yet Finalised, there is no interest or related short term expenses in relation to this lease.



**26 Termination benefit obligation (Severance payment)**

IAS 19 requires post employment benefit obligation such as severance payment reasonably be estimated taking the necessary actuary assumptions and be provided for at the reporting date. An employee is entitled for severance payment if he/ she leaves the enterprise at his/her choice after five years of consecutive service to the enterprise. The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services. Accordingly the present value of post employment benefit obligation (severance) and the related current service cost were measured using the projected unit credit method. As explained in the respective note, provision for severance payment amounting ETB 23,003,211 as of 7th July 2023 has been estimated and the necessary recorded has been made. Remeasurement gain or loss has hasn't been recognized.

The principal assumptions used for the purpose of the actuarial valuation were as follows

|   | <u>07 July 2023</u> | <u>07 July 2022</u> |
|---|---------------------|---------------------|
| Discount rate   | 11.5%               | 11.5%               |
| Expected rate of salary increase(the lower of projected salary and ceiling in salary scale) | 9%                  | 9%                  |
| The age at which each employee is assumed to terminate                                      | 59                  | 59                  |
| Opening employee benefit obligation   | 22,441,630          | 21,538,164          |
| Current service cost  | (2,019,207)         | (1,550,762)         |
| Interest cost   | 2,580,787           | 2,476,889           |
| Paid amount in 2023   | -                   | (22,661)            |
| Reversal of provision   | -                   | -                   |
| Closing employee benefit obligation   | <u>23,003,211</u>   | <u>22,441,630</u>   |

**27 Trade and other payables**

|                                   | <u>07 July 2023</u> | <u>07 July 2022</u> |
|-----------------------------------|---------------------|---------------------|
| Trade creditors                   | 21,363,275          | 2,755,129           |
| Sundry payable                    | 38,045,190          | 9,236,730           |
| Pension contribution payable      | 2,051,399           | 1,735,300           |
| Withholding tax payable           | 1,436,014           | 519,017             |
| Employment income tax             | 3,783,318           | 3,670,855           |
| Bonus payable                     | 105,425,335         | 34,312,414          |
| Construction Contract Liabilities | 3,987,079           | 3,292,437           |
|                                   | <u>176,091,608</u>  | <u>55,521,881</u>   |

Trade payables are non-interest bearing and are normally settled on 60-day terms and interest payable is normally settled quarterly throughout the financial year. The Pension payable is defined contribution plan where Employees are included in a statutory pension scheme to which the Enterprise and these employees contribute 11% and 7% of the individual monthly salaries, respectively.



## 28 RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

The Enterprise's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Enterprise's operations. The Enterprise's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The main business risks faced by the enterprise in respect of its principal non-derivative financial instruments are market risk including interest rate risk and foreign currency risk, credit risk and liquidity risk. The directors review and determine policies for managing these risks.

### (a) Market Risk

The Enterprise maintains a conservative policy regarding currency and interest rate risks and does not engage in speculation in the markets. In addition, the Enterprise does not speculate or trade in derivative financial instruments.

#### (i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

As at 7 July 2023 the Enterprise did not hold any financial assets or liabilities which were subject to interest rate risk.

#### (ii) Foreign exchange risk

The Enterprise undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures for the Enterprise mainly relate to purchases of raw materials and capital expenditures in foreign currencies.

At 7 July, 2023 the Enterprise do not have any financial asset or liability denominated in foreign currency.

#### (iii) Price risk

The enterprise does not hold investments that would be subject to price risk at 7 July, 2023; hence this risk is not relevant.

### (b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Enterprise. Credit risk arises from deposits with banks, as well as trade receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority.



The amount that best represents the Enterprise's maximum exposure to credit risk as at 7 July 2023 is made up as follows:

Currency: Ethiopian Birr

|                        | <u>Fully performing</u> | <u>Impaired</u> | <u>Past due</u> | <u>Total</u>       |
|------------------------|-------------------------|-----------------|-----------------|--------------------|
| 7 July 2023            |                         |                 |                 |                    |
| Trade receivables      | 116,490,828             | -               | -               | 116,490,828        |
| Other receivables      | 64,123,012              | -               | -               | 64,123,012         |
| Cash and bank balances | 387,628,832             | -               | -               | 387,628,832        |
|                        | <u>568,242,673</u>      | <u>-</u>        | <u>-</u>        | <u>568,242,673</u> |

Bank balances are fully performing. Trade receivables under the fully performing category are expected to be recovered in full as the debtors are paying their debts as they continue trading. Trade receivables in the past due category are balance which have been past due yet not impaired/provided for.

### (c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet Enterprise obligations. The Enterprise manages this risk by maintaining adequate cash balances in the bank, banking facilities and by continuously monitoring forecast and actual cash flows.

The table below analyses the Enterprise's financial liabilities that will be settled on a net basis into relevant maturity grouping's based on the remaining period at the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|                          | <u>1 - 12 months</u> | <u>1 - 5 years</u> | <u>Total</u>       |
|--------------------------|----------------------|--------------------|--------------------|
| At 7 July 2023           |                      |                    |                    |
| Trade payables           | -                    | -                  | -                  |
| Borrowing                | -                    | -                  | -                  |
| Trade and other payables | 325,412,716          | -                  | 325,412,716        |
|                          | <u>325,412,716</u>   | <u>-</u>           | <u>325,412,716</u> |

## 29 CAPITAL RISK MANAGEMENT

The enterprise manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the enterprise consists of equity attributable to equity holders (FDRE Government), comprising issued capital and retained earnings. The enterprise monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liability less current liability. Total capital is calculated as equity plus net debt. Information on the enterprise's capital and borrowings as at 7 July 2023 is provided below:

|                         | <u>07 July 2023</u>  | <u>07 July 2022</u>  |
|-------------------------|----------------------|----------------------|
| Paid up capital         | 1,067,852,817        | 1,067,852,817        |
| Legal reserve           | 40,069,688           | 27,093,350           |
| Retained earnings       | 156,955,583          | 58,335,415           |
| Equity                  | <u>1,264,878,089</u> | <u>1,153,281,582</u> |
| Total liability         | 557,307,779          | 274,647,847          |
| Less: current liability | (496,303,349)        | (212,659,269)        |
| Net debt                | <u>61,004,430</u>    | <u>61,988,578</u>    |
| Gearing                 | 3%                   | 4%                   |



## 30 ACCRUALS

|            |              |
|------------|--------------|
|            | 07 July 2022 |
| 34,452,615 | 20,026,252   |

Included in accrual is cumulative annual leave and unclaimed salary accrued at the reporting date. Each employee is entitled to an annual leave of 14 days for the first year of employment and keeps on increasing one day per additional year of service until it reaches the maximum amount allowed per year. However, the leave can only be carried forward for one more year. The accrued leave provided during the accounting period is ETB 34,452,615.

## 31 STATE DIVIDEND

Pursuant to council of minister regulation No. 412/2017, issued on 31<sup>st</sup> August 2017 to amend the enterprise's establishment regulation, the authorized capital of the enterprise is increased to ETB 1,528,700,000. According to Public Enterprise proclamation No.25/1992, the Authorized capital of Enterprise shall be fully paid up within 5 years from the date of its establishment (sub article 20.2). Based on this, the enterprise stopped transferring all of its unpaid dividend, the balance in the retained earning and net profit for the year to its paid up capital as the 5 years period is elapsed. Currently, the paid up capital reaches ETB 1,067,852,817. According to Public Enterprise proclamation No.25/1992, the Authorized capital of Enterprise shall be fully paid up within 5 years from the date of its establishment (sub article 20.2). In addition where the Authorized capital is not fully paid up as provided under sub article 20.2, the supervising Authority shall, without prejudice to the rights of third parties, adjust the capital to the level of the paid up capital. Based on the 40% utilization manual of the ministry of public Enterprise, the Enterprise shall pay 60% from the reaming balance of the net profit after deducting the legal reserve to state dividend and the remaining 40% will be transferred to industrial development fund. Prior period Tax Audit adjustment of ETB 18,704,205 has been made during this accounting Period. Accordingly, the state dividend payable during this accounting period is ETB 170,890,633 and The Industrial development fund (Retained Earning) is ETB

## 32 RELATED PARTY DISCLOSURE

IAS 24 provides an exemption to the government entities limiting the disclosure required only to those transactions that are individually or collectively significant. Hence the disclosure below represents only those related parties with which the Enterprise has had significant transactions during the respective period and the entities listed below are related to BERHANINA SELAM PRINTING ENTERPRISE because they are all owned by the FDRE government.

| Related Parties   | Sales to related parties/Total sales during the year | Due from related parties/ending balance | Due to related parties/Advance Received |
|---|--|---|---|
| Addis Ababa Drive and Vehicle Licnesing and Contorl Authority | 9,522,649.00   | 4,049,082.00                            | 0.00                                    |
| Anbesa City Bus Service Enterprise                            | 23,292,071.00  | 2,539,890.50                            | 0.00                                    |
| Comercial Bank Of Ethiopia                                    | 32,891,940.00  | 0.00                                    | 0.00                                    |
| Ethiopia Press Enterprise                                     | 119,342,879.00                                       | 4,416,078.47                            | 0.00                                    |
| Ministry Of Revenue   | 8,356,820.00   | 0.00                                    | 0.00                                    |
| National Educational Ass. And Examination Agency              | 279,309,572.00                                       | 9,795,950.84                            | 0.00                                    |
| National Lottery  | 90,403,915.00  | 15,479,987.60                           | 0.00                                    |
| Oromia Regional gov communication Affairs                     | 19,147,630.00  | 5,414,965.00                            | 0.00                                    |
| Sheger Mass Transport Service Enterprise                      | 10,905,061.00  | 6,121,697.00                            | 0.00                                    |
| Development & Management Bureau                               | 12,104,797.00  | 0.00                                    | 0.00                                    |
| Immigration Nationality & Vital Event Agency                  | 3,363,859.00   | 0.00                                    | 0.00                                    |
| Addis Ababa City Government Revenues Authority                | 9,960,800.00   | 0.00                                    | 0.00                                    |
| Amhara Rigion information                                     | 16,386,319.00  | 1,910,958.14                            | 0.00                                    |
| South West P/R/S Bureau of Finance & Economic Development     | 24,221,367.00  | 1,837,979.00                            | 0.00                                    |
| Sheger Mass Transport Service Enterprise                      | 10,905,061.00  | 6,121,697.00                            | 0.00                                    |
| Sidama National Regional State Finance Bureau                 | 14,395,195.00  | 9,895,221.00                            | 0.00                                    |
| A.A.Housing Development Project                               | 23,688,855.00  | 2,651,684.00                            | 0.00                                    |
| <b>Total</b>  | <b>708,193,790.00</b>                                | <b>70,235,160.55</b>                    | <b>0.00</b>                             |

**Compensation of key management personnel of the Enterprise**

|  | <u>07 July 2023</u>      | <u>07 July 2022</u>      |
|--|--------------------------|--------------------------|
| Short-term employee benefits                               | 12,035,352               | 9,702,451                |
| Post-employment benefit (pension)                          | 412,969                  | 415,120                  |
| Bonus payment  | 3,147,336                | 988,380                  |
| <b>Total compensation paid to key management personnel</b> | <b><u>15,595,657</u></b> | <b><u>11,105,951</u></b> |

Included in short term employee benefits is monthly Allowances like position, fuel, housing, mobile and basic salary provided to key management personnel. As a result, the amounts disclosed above are recognised as an expense during the respective reporting period. ETB 4.49 million with regard to Key management benefit like Bonus expenses as there is a salary increment resulted from Enterprise's restructuring and accomplishing its financial budget objectives during this fiscal period.

**33. EVENTS AFTER REPORTING PERIOD**

There are no events existing after the reporting period regarding with the 2023 budget year financial statements.

**34. CONTINGENT LIABILITIES AND COMMITMENTS**

The Federal Democratic Republic of Ethiopia Environmental Protection Authority has Evaluated the Environmental and social Impact Assessment (ESIA) report in accordance with the Environmental requirements of the country and found out the Enterprise complies with them. There is no contingent liabilities and commitments as at 7 July 2023.

**35. GOING CONCERN ASSUMPTION**

Management of the enterprise has concluded on the appropriateness of the use of the going concern basis of accounting based on the assessment made on 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.

Management's conclusions are based on the assessment made up to the forcible future.

Conclude on the appropriateness of the 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 Branch'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 Branch to cease to continue as a going concern.

**36. COMPARATIVE FIGURES**

Comparative figures are reclassified to facilitate comparison.



# Appendix A

BIRHANENA SELAM PRINTING ENTERPRISE

Amortization of investment in bond

For 2015 Budget Year

Bond serial no 0000026HNNIB

| S/n | Budget Year | Principal amount | number of years to maturity | Interest rate | Discounted balance | Loss on Bond Value | Interst income | Closing balance |
|-----|-------------|------------------|-----------------------------|---------------|--------------------|--------------------|----------------|-----------------|
| 1   | 2010        | 1,000,000.00     | 5                           | 11.50%        | 580,264.05         | 419,735.95         |                |                 |
| 2   | 2011        | 1,000,000.00     | 4                           | 11.50%        | 646,994.41         | 353,005.59         | 66,730.37      | 646,994.41      |
| 3   | 2012        | 1,000,000.00     | 3                           | 11.50%        | 721,398.77         | 278,601.23         | 74,404.36      | 721,398.77      |
| 4   | 2013        | 1,000,000.00     | 2                           | 11.50%        | 804,359.63         | 195,640.37         | 82,960.86      | 804,359.63      |
| 5   | 2014        | 1,000,000.00     | 1                           | 11.50%        | 896,860.99         | 103,139.01         | 92,501.36      | 896,860.99      |
| 6   | 2015        | 1,000,000.00     | 0                           | 12.00%        | 1,000,000.00       | -                  | 103,139.01     | 1,000,000.00    |

Entry

|        |                   |            |            |
|--------|-------------------|------------|------------|
| A/c no | 2015 budget year  |            |            |
|        | Investment bond   | 103,139.01 |            |
|        | Investment income |            | 103,139.01 |



## Appendix B

BIRHANENA SELAM PRINTING ENTERPRISE

Other Income From Rent

Tax calculation and transaction For 2015 Budget Year

| Taxable rent income/loss | Multiply by 30% of taxable rent income | Net tax due  |
|--------------------------|--|--------------|
| 12,864,652.51            | 3,859,395.75                           | 3,859,395.75 |

MJV000620

### 2015 budget year Transaction

| A/t No           | Description              | Dr            | Cr           |
|------------------|--------------------------|---------------|--------------|
| 01-0000-35020001 | Profit Tax Payable       | -             | 3,859,395.75 |
| 01-0000-21020001 | Legal Reserve            | -             | 450,262.84   |
| 01-0000-34040002 | Industrial Development   | -             | 3,421,997.57 |
| 01-0000-34040001 | State Dividend           | -             | 5,132,996.35 |
| 01-0000-27010001 | Income & Expense Summary | 12,864,652.51 | 0.00         |

