

INDEPENDENT AUDITORS' REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

CHEMICAL
INDUSTRY CORPORATION

FOR THE YEAR ENDED 30 JUNE 2023

ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants (London)
Certified Audit Firm

ዘመድዑን አዳን - ኤ.ፍ. ሲ. ሲ. ኤ.
ቻርተርድ ሰርቲፋይድ አካውንታንትስ (ለንገረን)
ሰርቲፋይድ ኤዲት ድርጅት

Tele+251 118 961677/ +251 911 514799/ Fax +251 011 5 549636 P.O.Box 26578 code 1000 A.A.
E-mail: adanezemedhun@gmail.com / zemedhun_adane@yahoo.com



CHEMICAL INDUSTRY CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS AND REPORTS
TABLE OF CONTENTS
FOR THE YEAR ENDED 30 JUNE 2023

	<u>Page No.</u>
General Information	1
Statement of Management Responsibility	2
Auditor's Opinion	3 - 5
Report of the management	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Net Asset / Change in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements & Significant Accounting Policies	11 - 42
Annex Compliance Report	



Chemical Industry Corporation
General information
For the year ended 30 June 2023

General information

Tax identification Number (TIN) - 0039606967
Business address
Addis Ababa City, Bole Sub City, House No. - 2055
Telephone : +251 116 182749 / +251 116 620635
Fax : +251 116 189893 / +251 116 181368
P.O. Box - 2008

Branches under the Corporation

Muger Cement Factory
Batu Caustic Soda Factory
Rubber Tree Plantation and Processing Project
Adami Tulu Pesticides Factory
Awash Melkassa Chemical Factory

Management Information / Executive management

Dr. Engineer Hundessa Desalegn
Mr. Birhanu Mekuye
Dr. Lemma Dendena
Mr. Seifu Biratu

Chief Executive Officer
Finance Division Deputy Chief Executive
Project and Operation Division Deputy Chief Executive
Service Division Deputy Chief Executive

Principal Bankers

Commercial Bank of Ethiopia

Independent auditor

Zemedhun Adane, Chartered Certified Accountants
Certified Audit Firm
P. O. Box 26578 code 1000
Tele +251 118 332934 / +251 911 514799
Addis Ababa, Ethiopia
E mail - zemedhun_adane@yahoo.com / adanezemedhun@gmail.com



Chemical Industry Corporation

Statement of Management's Responsibilities

For the year ended 30 June 2023

In accordance with Financial Reporting Proclamation No. 847 / 2014, the Entity prepared its financial statements in accordance with International Financial Reporting Standards (IFRS).

The Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards (IFRS) and applicable national laws as The Commercial Code of Ethiopia, and for such internal control as management determines is necessary to enable financial statements that are free from material misstatement, whether due to fraud or error. The Entity is required to keep such records as are necessary to:

- Exhibit clearly and correctly the state of its affairs,
- Explain its transactions and financial position; and
- Enable regulatory body to determine whether the Entity had complied with the aforementioned proclamation.

The Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and Commercial Code of Ethiopia.

The Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Entity and of its financial performance.

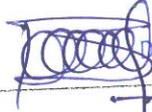
The Management further accepts responsibility for the maintenance of accounting records that may be relied up on in the preparation of financial statements, as well as adequate systems internal financial control.

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

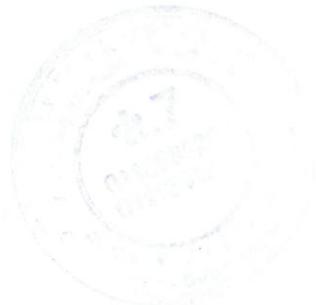
Signed on behalf of the Management by:



Chief Executive Officer
Dr. Eng. Hundessa Dessalegn
Chief Executive Officer



Birhanu Mekuye Gizaw
Deputy Chief Executive Officer,
Corporate Finance Division
Finance Division Deputy Chief Executive



INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CHEMICAL INDUSTRY CORPORATION

Report on the audit of the financial statements

Opinion

We have audited the accompanying Financial Statements of Chemical Industry Corporation, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and comprehensive income, the statement of changes in equity / net assets and the statement of cash flows for the year then ended, together with significant accounting policies and other explanatory notes to these financial statements set out on pages 11 to 42.

In our opinion, except for the effect of the matters stated under the bases of qualified opinion section of the report, the accompanying financial statements present fairly, in all material respects, or give a true and fair view of the financial position of the Entity as at 30 June 2023, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Bases of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described below under Auditor's Responsibilities for the Audit of the Financial Statements section. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to be used as a basis for our opinion.

Addis Ababa Office
Meskel Square, Anbessa Building, 5th floor
Tel. +251 118 961677 / +251 118 332934
Fax: +251 115 54 96 36 Addis Ababa, Ethiopia (Cell Phone +251 911 514799)

Sebeta Office
Tel. +251 113 384145/ +251 911 514799
Fax: +251 113 384146
Sebeta Town, Ethiopia

E-Mail: adanezemedhun@gmail.com / zemedhun_adane@yahoo.com

Tax Center - Oromia Regional State, Sebeta Town - Kebele 01 - House No. New TIN 0005312526 VAT Reg. No.1434870032



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants (London)
Certified Audit Firm

Addis Ababa, Ethiopia
12 October 2023



**CHEMICAL INDUSTRY CORPORATION
REPORT OF THE MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2023**

The Management prepared their report together with the financial statements as at and for the period ended 30 June 2023.

This report discloses the financial performance and state of affairs of Chemical Industry Corporation as at and for the year stated.

Results of operation

Results of operation for the period ended 30 June 2023 is set out on page 7 and summarized results are presented below:

	30-Jun-23 <u>Birr</u>	30-Jun-22 <u>Birr</u>
Gross income of the period	<u>4,561,651,499</u>	<u>2,636,068,168</u>
Profit before tax	455,581,959	119,167,474
Business income tax expense / income	<u>(125,130,929)</u>	<u>(33,467,594)</u>
Profit of the period after income tax	<u>330,451,030</u>	<u>85,699,880</u>

The management

Members of management who held office during the year and to the date of this report are set out on page 1.

Signed on behalf of the Management by:


Dr. Eng. Hundessa Dessalegn Demsash
 Chief Executive Officer


Birhanu Mekuye Gizaw
 Deputy Chief Executive Officer,
 Corporate Finance Division
Finance Division Deputy Chief Executive



CHEMICAL INDUSTRY CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

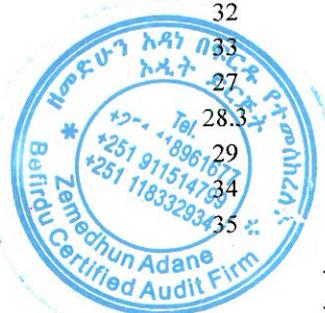
	<u>Notes</u>	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
REVENUE	8	4,542,337,485	2,621,687,222
COST OF SALES	9	(3,563,319,507)	(2,105,908,777)
GROSS PROFIT		979,017,978	515,778,445
OTHER INCOME	10	<u>19,314,014</u>	<u>14,380,947</u>
		998,331,993	530,159,392
EXPENSES			
Selling and Marketing expense	11	98,948,959	83,082,227
Administrative Expenses	12	<u>431,270,716</u>	<u>301,153,483</u>
		(530,219,675)	(384,235,710)
Operating Profit (Loss)		468,112,318	145,923,682
Finance Charges	13	<u>(12,530,358)</u>	<u>(26,756,208)</u>
Profit before tax		455,581,959	119,167,474
Deffered income (expense)		5,643,191	
		461,225,150	
Provision for profit tax	35	<u>(128,869,369)</u>	<u>(16,986,368)</u>
		332,355,782	102,181,106
Differed tax expense	27	<u>3,738,440</u>	<u>(16,481,226)</u>
Profit for the year (net of tax)		336,094,222	85,699,880



STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

Currency: Ethiopian Birr

	Notes	30-Jun-23	30-Jun-22
ASSETS			
Non-current assets			
Property, plant and equipment (net)	15	12,365,473,312	12,422,469,629
Investment-Goverment Bond		50,000	150,000
Construction in progress	17	196,285,849	187,603,362
		<u>12,561,809,161</u>	<u>12,610,222,992</u>
Current assets			
Non current assets held for sell	18	509,413	9,481,389
Inventories	19	2,322,285,030	2,128,699,749
Trade and other receivables	20	175,675,769	278,402,398
Cash and cash equivalents	21	662,626,692	660,919,707
Prepayments	22	326,081,288	10,118,519
Current tax receivable	23	224,587,699	218,348,784
		<u>3,711,765,892</u>	<u>3,305,970,546</u>
Total assets		<u>16,273,575,053</u>	<u>15,916,193,538</u>
EQUITY AND LIABILITIES			
Equity			
State capital	24	6,596,937,329	5,913,554,840
Legal reserve		16,804,711	-
Retained Earnings	25	4,203,431,693	4,632,076,569
Total equity		<u>10,817,173,732</u>	<u>10,545,631,409</u>
Non-current liabilities			
Borrowing	26	37,671,563	36,910,328
Loan -IDF	26.2	593,701,549	593,701,549
Deferred tax liabilities	27	3,225,643,668	3,229,382,108
Employee Benefit-Severance Pay	28	94,546,864	81,354,932
Lease Liabilities	29	26,298,919	27,335,637
		<u>3,977,862,564</u>	<u>3,968,684,554</u>
Current liabilities			
Current Tax Liabilities	30	107,326,992	75,465,601
Accrued Liabilities	31	190,540,830	179,001,280
Unearned Revenue	32	620,165,637	735,837,856
Trade and other payables	33	328,553,559	260,377,549
Borrowing	27	-	2,532,000
Employee Benefit-Annual Leave	28.3	90,047,322	73,274,151
Lease Liability	29	1,036,718	1,036,718
Bank overdraft	34	11,998,331	13,459,860
Profit tax liability	35	128,869,369	60,892,558
		<u>1,478,538,756</u>	<u>1,401,877,574</u>
Total liabilities		<u>5,456,401,320</u>	<u>5,370,562,128</u>
Total equity and liabilities		<u>16,273,575,052</u>	<u>15,916,193,537</u>



**CHEMICAL INDUSTRY CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

Currency: Ethiopian Birr

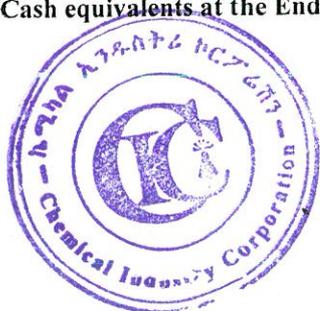
	State / Paid up capital	Retained Earnings	Legal reserve	Total
Balance at 30 June 2021	5,913,554,840	4,181,703,225	-	10,095,258,065
Profit for the period	-	85,699,880	-	85,699,880
Prior years adjustment	-	364,673,465	-	364,673,465
Balance at 30 June 2022	5,913,554,840	4,632,076,569	-	10,545,631,409
Profit for the period	-	336,094,222	-	336,094,222
Additional paid up capital	683,382,489	(683,382,489)	-	-
Transfer to legal reserve	-	(16,804,711)	16,804,711	-
Dividend tax paid	-	(56,990,420)	-	(56,990,420)
Prior years adjustment	-	(7,561,478)	-	(7,561,478)
Balance at 30 June 2023	6,596,937,329	4,203,431,693	16,804,711	10,817,173,733



CHEMICAL INDUSTRY CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2023

Currency: Ethiopian Birr

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Cash Flow from Operating Activities		
Profit Before Tax	461,225,151	119,167,474
Adjusted For:		
Depreciation	170,283,107	174,325,701
Adjustement of Fixed Assets	3,246,931	4,454,292
Adjustement on defered tax	0	(162,456)
Prior Year Adjustments	<u>(7,561,478)</u>	<u>416,474,005</u>
	<u>627,193,711</u>	<u>714,259,015</u>
Net Changes in Working Capital		
Increase/Decrease in Inventories	(193,585,281)	(165,615,699)
Increase/Decrease in Trade and Other Receivable	(986,023,051)	83,964,078
Increase/Decrease in Prepayment & Advance	(315,962,769)	1,193,433
Increase/Decrease in Current Tax Receivables	(6,238,915)	25,046,907
Increase/Decrease in Assets held for sale	8,971,975	10,288,166
Increase/Decrease in Current Tax Payables	31,861,390	6,718,554
Increase/Decrease in Unearned Revenue	(115,672,219)	276,145,853
Increase/Decrease in Lease Liability	(1,036,718)	(2,073,436)
Increase/Decrease in Accrued liabilities	11,539,550	(2,773,842,966)
Increase/Decrease in Employee Benefit	29,965,103	29,325,584
Profit tax adjustment	0	(10,878,934)
Profit tax paid	(60,892,558)	(25,900,270)
Increase/Decrease in Trade & other Payable	<u>1,156,925,690</u>	<u>15,658,857</u>
	<u>(440,147,803)</u>	<u>(2,529,969,870)</u>
Net Cash (In)/(Out) flow from Operating Activities	<u>187,045,908</u>	<u>(1,815,710,855)</u>
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(116,533,721)	(60,859,403)
Change in investment	100,000	0
Construction in progress	(8,682,486)	<u>12,666,422,079</u>
Net Cash (In)/(Out) flow from Investing Activities	<u>(125,116,207)</u>	<u>12,605,562,676</u>
Cash Flows from Financing Activities:		
Increase/Decrease in Overdraft	(1,461,530)	(254,262,157)
Dividend paid	(56,990,421)	0
Bank loan (Net)	<u>(1,770,765)</u>	<u>(10,113,209,091)</u>
Net Cash (In)/(Out) flow from Financing Activities	<u>(60,222,716)</u>	<u>(10,367,471,248)</u>
Net Cash (In)/(Out) flow for the Year	1,706,985	422,380,573
Cash and Cash equivalents at the beginning of the year	<u>660,919,707</u>	<u>238,539,134</u>
Net cash and cash equivalents at the end of the year	<u>662,626,692</u>	<u>660,919,707</u>
Analysis of Cash and Cash Equivalent		
Cash on hand	39,239	66,645
Cash at Bank	<u>662,587,453</u>	<u>660,853,062</u>
Cash and Cash equivalents at the End of the year	<u>662,626,692</u>	<u>660,919,707</u>



CHEMICAL INDUSTRY CORPORATION
NOTES OF THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

1 General information

Chemical Industry Corporation is a legal entity and is a group company which controls Muger Cement Factory, Batu Caustic Soda Factory, Rubber Tree Plantation and Processing Project, Awash Melkassa Chemical Factory and Adami Tulu Pesticide Processing Factory.

2 Statement of compliance with IFRS and going concern assumption

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

The Corporation chooses to use the modified retrospective approach under which changes having a material effect on the statement of financial position as at 30 June 2023 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the Corporation is required to present a third statement of financial position as at that date and hence the Corporation provides this additional comparative information together with the required notes.

3 Significant accounting policies

3.1 Basis of Preparation

The Corporation's financial statements have been prepared on an accrual basis and under principally the historical cost convention except for the revaluation of properties in applying Fair value as deemed cost and investments. Monetary amounts are expressed in Ethiopian Birr (ETB)

3.2 Functional and Presentation currency

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

3.3 Revenue (IFRS 15)

The Corporation recognizes, measures, presents and discloses revenue according to the new standard IFRS-15 which replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. Accordingly, the Corporation takes in to account the following standards while performing sales.



Revenue arises mainly from the Sales of Cement, Pesticide and Herbicide, Costic soda, Quicklime, Aluminium Sulphate, Sulfuric Acid, Hydrogen per oxide and Dry rubber sheet Limestone, To determine whether to recognize revenue, the factory follows a 5-step process

2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Corporation often enters into transactions involving a range of sales of different products. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the promised goods or services to its customers.

The Corporation recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position.

Similarly, if the Corporation satisfies a performance obligation before it receives the consideration, the factory recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

3.4 Operating Expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred

3.5 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in **finance costs**.

3.6 Property, Plant and Equipment

3.6.1. Right of Use Land

The Corporation has both freehold as well as lease hold land rights. The lease hold rights are to be depreciated over a period of 60 years.

3.6.2 Land improvements, Buildings, Machineries, Vehicles and Others equipment

Buildings, plant, machineries and equipment are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Corporation's management. Buildings and equipment also include leasehold property held under a finance lease.



Buildings, machineries and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses

Depreciation is recognized on a straight-line and units of production basis to write down the cost less estimated residual value of buildings, machineries and other equipment. The following useful lives are applied:

Deprecation Methods and Estimates	
Description	Economic life
Plant and Machineries	Up to 540 Million tons
Licensed Vehicles	600,000 Kms
Plant Vehicles (OFF High way)	300,000 Hrs.
Use of land (Quarry land)	Up to 405 Million tons
Other Assets	Deprn. %
Building	2
Dam	2
Land improvement (forestry, sewerage, road and others)	4
Right of Use Land: (Own)	Indefinite
Right of Use Land: (Leased)	Lease Term
Workshop Machine Equipment	2
Tools	10
Office Furniture	5
Office Equipment and Electronics	10
Specialized Equipment and Medical Equipment	5
House Hold Furniture	5
Fixed Asset in Store	Twice as in operation

In the case of leased assets, expected useful lives are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

3.7 Impairment testing of property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.



An impairment loss is recognized for the amount by which the asset's (or cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the factory's latest approved budget, adjusted as necessary to exclude the effects of future re-organizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3.8 Financial Instruments (IFRS 9)

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. A financial asset or liability is recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

3.8.1. Financial assets

Initial recognition and measurement

The Corporation classifies its financial assets into the following categories: Amortized cost, Fair value through Comprehensive Income and Fair value through Profit or Loss. Management determines the appropriate classification of its investments at initial recognition and re-evaluates this at the end of each reporting period.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Corporation intends to sell in the short term or those that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from sales of goods and services are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.



Impairment of financial assets:

The Corporation assesses at the end of each reporting period and based on detailed ageing analysis whether there is objective evidence that a financial asset is not recoverable and/or impaired. Evidences of impairments may include indications that debtor(s) are experiencing significant financial difficulties, default or delinquency in payments balances overdue, the probability that they will enter bankruptcy or other financial reorganization and whether observable data indicate that there is a measurable decrease in the estimated future cash flows.

Allowance for doubtful are recognized as per the following ageing analysis.

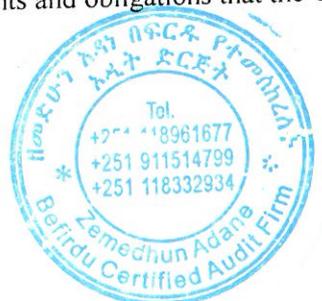
<i>Days Past Due (Age Group)</i>	<i>Provision Rate</i>
0-180 days	Nil
181-365 days	1%
1-2 Years	5%
2-3 Years	10%
3-4 Years	20%
4-5 Years	40%
5-6 Years	60%
Over 6 Years	100%

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Corporation's statement of financial position) when:

- § The rights to receive cash flows from the asset have expired, or
- § The Corporation 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 Corporation has transferred substantially all the risks and rewards of the asset, or
 - b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation 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 the asset, the Corporation continues to recognize the transferred asset to the extent of the Corporation's continuing involvement. In that case, the Corporation also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.



3.8.2. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss and Amortized cost financial liabilities.

The Corporation's financial liabilities include trade payables, other payables, accrued charges, and loans and borrowings including overdraft.

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

Subsequent measurement

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost. The Corporation's effective rate is equal to its nominal rate no direct loan acquisition costs that vary in direct proportion to the life of the loan.

Derecognition of financial liabilities

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 financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Corporation has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the Corporation or the counterparty.



3.9 Inventories (IAS 2)

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the service or manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. The following disclosures provide the different classes of inventories in the Corporation and their respective disclosure.

Inventory	Description
Raw Materials	Inventories are valued on item by item basis by comparing the average cost of each item with cost of the recently purchased or produced of the same item and take the lower of average cost and its replacement cost.
Finished Goods	Inventories are stated at the lower of cost and net realizable value
Work in Process	Inventories are valued the lower of average production and selling price less cost to complete and sale.
Stationary Material	Inventories are valued on test basis by comparing the average cost of each item with cost of the recently purchased or surveyed from the market of the same item and take the lower of average cost and its replacement cost.
Packing Materials	Inventories are valued on test basis by comparing the average cost of each item with cost of the recently purchased or produced of the same item. And take the lower of average cost and its replacement cost
Books and Periodicals	Inventories are valued on test basis by comparing the average cost of each item with cost of the recently purchased of the same item. And take the lower of average cost and its replacement cost
Spare Parts	Inventories are valued on test basis by comparing the average cost of each item with cost of the recently purchased or market cost of the same item. And take the lower of average cost and its replacement cost.



3.10 Income taxes (IAS 12)

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Corporation's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are recognized in full.

3.11 Cash and cash equivalents (IAS 7)

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing **within 90 days from** the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Non-current assets and liabilities classified as held for sale and discontinued operations

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Corporation's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its re-measurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

3.13 Home Office

Home Office account at the branches: comprises gains and losses from the revaluation of right of use land and other property plant and equipment and all current and prior period retained profits and losses.

3.13.1 Post-employment benefits

The Corporation provides post-employment benefits through defined contribution and defined benefit plans.



3.13.2 Defined Contribution Plans

The Corporation pays fixed contributions into state pension plans and for individual employees. The Corporation has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

3.13.3 Other long-term employee benefits

The Corporation accrues annual leave and severance payment using the projected unit credit method. Management estimates the obligation annually with the assistance of actuarial estimates. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related liability.

3.13.4 Short-term employee benefits

Short-term employee benefits, including bonus, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

3.14 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Corporation and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole

Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Corporation is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.



4 Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are the judgments made by management in applying the accounting policies of the Corporation that have the most significant effect in the financial statements.

4.1 Recognition of contract revenues

As revenue from sales agreements is recognized over time, the amount of revenue recognized in a reporting period depends on the extent to which the performance obligation has been satisfied.

4.2 Capitalization of internally developed software

Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired.

4.3 Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

4.4 Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

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



Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Other long-term employee benefits obligations

Management's estimate of other long-term employee benefit obligations includes annual leave and severance pay obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases.

Variation in these assumptions may significantly impact the obligation amount and the annual benefit expenses

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5 Risk and Risk Mitigation

The Corporation has identified three major risks those hinder the Corporation's entire operation. These risks may include raw materials supplies risk, political instability risk and market risks.

5.1 Raw materials supply risks

The branches in manufacturing sector should have adequate inputs so as to produce to the extent of its attainable capacity. Likewise, They try to secure raw materials for its production activities. However, the branches could not purchase adequate inputs due to the following reasons.



5.1.1 Foreign currency shortage

Since the Corporation imports some inputs, spare parts and machineries from foreign markets, the Corporation needs sufficient foreign currency from Ethiopian banks. However, due to weak export performance and high demand for foreign currency, it will create shortage of hard currency all over the country. So that the Corporation could not purchase adequate raw material for its operations. For this reason, it can produce under of its attainable production capacity. Therefore, in order to address the foreign exchange shortage, the factory should employ the strategy of local sourcing of inputs and partnering with export-oriented partners.

5.2 Risk of Political Instability

Political instability is a major obstacle to economic growth in Ethiopia. Political instability has also observed various challenges in the market such as increase price, weakened the purchasing power of the consumer, inflation, increase in transportation cost, etc. If the political instability gonging on as it is, there is a fear that the Corporation's production and sales activities may cease once a day. The current instability has witnessed some of the quarry land of the factory were taken. To overcome the country's political instability, the government should work over it and create stabled political environments.

5.3 Market Risks

The Corporation has faced market risks such as new entrants, rivalry among the existed competitors and bargain power of the customers.

5.3.1 New Entrants

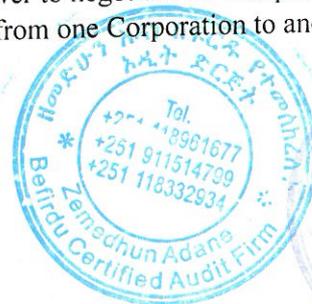
The threat of new entrants affects the competitive environment for the existing competitors and influences the ability of the Corporation to achieve profitability.

5.3.2 Rivalry among existing competitors

In Ethiopia there is intense price war among the existed cement producers and dealers in the marketplace. Rivalries among existing competitors have made to have sizable customers for their products through lowering their product price.

5.3.3 Bargaining power of buyers

The Corporation gives proper attention to the bargaining power of buyers since it can put it under pressure. Customers are sensitivity to price changes and have a lot of power to negotiate for low price. If the customers have many alternatives to buy from, it is ease for them to switch off from one Corporation to another to get low prices.



5.4 To mitigate market risks

In order to mitigate market risks, the Corporation plan to:

- Produce high quality products
- Diversify its products
- Set competitive price.
- Make promotion.
- Produce in economics of scale.

6 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 30 June 2023 reporting date and the date of authorization.

7 Authorization of financial statements

The financial statements for the year ended 30 June 2023 (including comparatives) were prepared and approved for issue on 12 October 2023

8 Revenue

Income from sales of branches ' products

Muger Cement Factory
 Awash Melkassa Chemical Factory
 Adami Tulu Pesticide Processing Factory
 Batu Coustic Soda Factory
 Rubber Tree Plantation and Processing

Net Sales Revenue

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
	3,815,284,644	2,300,092,189
	333,182,535	67,827,693
	278,292,359	180,085,678
	74,592,290	41,717,439
	40,985,657	31,964,222
	<u>4,542,337,485</u>	<u>2,621,687,222</u>



9 Cost of Sales

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Work in Process, Beginning	519,658,679 ✓	193,963,483
Finished Goods, Beginning	4,713,179 ✓	54,974,188
Cost of Direct Material	375,752,357 ✓	225,929,919
Indirect materials	1,780,245,578 ✓	38,907,816
Direct Labor	140,470,414 ✓	128,899,375
Indirect labor	215,714,104 ✓	163,639,538
Employees Benefits	108,106,413 ✓	46,906,948
Electricity and Water	114,207,595 ✓	131,716,746
Factory Running ,supplies & Maintenance	149,649,237 ✓	1,370,085,104
Transportation Charge	269,676,313 ✓	128,655,619
Property Insurance	9,567,589 ✓	8,837,088
Depreciation	132,896,572 ✓	136,729,157
Other overheads	<u>18,061,664</u> ✓	<u>11,975,222</u>
	3,838,719,695	2,641,220,201
Work in Process, Ending	(101,199,161) ✓	(458,311,073)
Cost of sales of Raw Materials	(34,443,798) ✓	(15,482,242)
Finished goods , Ending	(139,187,817) ✓	(68,833,665)
Cost of internal use	(569,412)	(1,585,925)
Ideal period cost of labours	-	8,901,481
	<u>3,563,319,507</u>	<u>2,105,908,777</u>

9.1 Cost of sales by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Muger Cement Factory	3,097,771,908	1,891,753,654
Awash Melkassa Chemical Factory	235,037,189	48,245,479
Adami Tulu Pesticide Processing Factory	156,064,097	109,614,611
Batu Coustic Soda Factory	56,855,307	39,267,907
Rubber Tree Plantation and Processing	<u>17,591,004</u>	<u>17,027,126</u>
	<u>3,563,319,506</u>	<u>2,105,908,777</u>



10 Other Income

The Corporation's other income is mainly earned through sales of various scraps, reversals and other items as presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Impairment Reversal Gain	-	-
Sales of used, scrap & by product materials	4,944,028	3,946,545
Rental income	52,918	7,360
Gain on Sales of Fixed Assets	3,991,788	-
Sales of Bid Bond Document	4,694,131	183,072
Sales of service	809,658	356,866
Weigh bridge	158,434	151,948
Interest Income	209,160	-
Penalty and fines	29,480	50,310
Miscellaneous income	4,424,415	9,684,846
	<u>19,314,014</u>	<u>14,380,947</u>

10.1 Other income by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	53,056	-
Muger Cement Factory	11,621,482	3,035,866
Awash Melkassa Aluminium Sulphate Factory	1,175,102	3,503,303
Adami Tulu Pesticide Processing Factory	2,192,870	2,620,976
Batu Coustic Soda Factory	4,167,188	5,118,890
Rubber Tree Plantation and Processing	104,317	101,912
	<u>19,314,014</u>	<u>14,380,947</u>



11 Selling and Marketing Expenses

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Salaries & Wages	31,308,045	35,226,418
Employees benefits	18,466,746	4,943,655
Transportation	180,440	-
Repair & Maintenance, Fuel, etc.	18,569,656	19,338,024
Telephone, Postage, Stationery & Printing	2,631,639	358,260
Utilities	-	63,917
Peridem & Traveling	1,657,808	618,000
Insurances	2,139,447	2,286,382
Depreciations	3,098,261	2,855,214
Rents	360,000	360,000
Advertising and publicity	2,997,496	2,473,050
Sports Club Expenses	9,123,058	5,365,830
Penalty	208,256	-
Entertainments	252,255	227,247
Share of aux.dept.expense	-	5,586,617
Donation, Sponership & Gift	-	50,000
Traning expenses	1,200	303,808
Miscellaneous Expenses	7,954,652	3,025,805
	<u>98,948,959</u>	<u>83,082,227</u>

11.1 Selling and marketing expenses by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	-	-
Muger Cement Factory	89,920,157	70,576,442
Awash Melkassa Alumnum Sulphate Factory	5,939,414	7,210,790
Adami Tulu Pesticide Processing Factory	1,125,397	3,072,571
Batu Coustic Soda Factory	1,171,277	1,265,353
Rubber Tree Plantation and Processing	792,713	957,072
	<u>98,948,959</u>	<u>83,082,227</u>



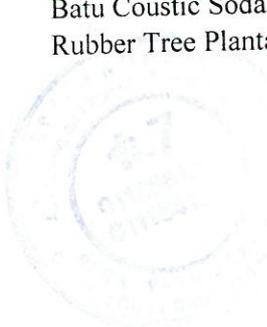
12 General and Administrative Expense

The general and administrative expense of the Corporation is made of the following items

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Salaries and wage	✓192,402,341	156,574,382
Employees benefits	✓ 47,962,756 ✓	36,045,091
Education & Training	✓1,577,474 ✓	686,802
Electricity & Water	✓474,292 ✓	233,803
Stationery, Printing & Office Supplies	✓5,581,237 ✓	2,462,848
Telephone and postage	✓2,002,752 ✓	1,414,511
Perdiem and travelling	✓ 5,595,555 ✓	4,206,838
Fuel, repair, and maintenance	✓45,684,764 ✓	17,634,855
Insurance	✓4,409,204 ✓	6,746,409
Depreciation	✓24,470,874 ✓	21,620,295
Medical	625,374 ✓	300,561
License and registration	✓69,965 ✓	284,411
Municipal tax / land tax	✓1,817,960 ✓	-
Rent	✓5,504,065 ✓	4,662,887
Entertainment	✓5,159,486 ✓	3,271,813
Workers Subsidy	-	7,072,742
Social Responsibility	✓14,770,897 ✓	4,335,546
Shares of aux.depart.expense	-	2,628,996
Land Rent	✓1,328,910 ✓	4,013,508
Board members allowance	✓431,000 ✓	398,000
Professional fee	✓304,583 ✓	634,912
Advertising	✓291,665 ✓	162,393
Consultancy	-	1,208,191
Cleaning and sanitation	✓449,029 ✓	183,828
Donation	✓1,619,933 ✓	237,092
Severance expense	✓248,689 ✓	493,210
Annual leave expense	✓932,881 ✓	2,798,888
Penalty Expenses	✓521,275 ✓	1,259,588
Expected credit loss/ stock obsolescence	✓51,942,282 ✓	16,408,441
Legal expense	✓632,158 ✓	1,170,875
Miscellaneous	✓14,459,317 ✓	2,001,764
	<u>431,270,716</u>	<u>301,153,483</u>

12.1 General and administration expenses by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	50,448,483	39,273,847
Muger Cement Factory	✓280,699,286 ✓	196,392,915
Awash Melkassa Alumnum Sulphate Factory	35,955,368	22,335,053
Adami Tulu Pesticide Processing Factory	39,532,694	21,373,794
Batu Coustic Soda Factory	13,825,519	10,786,246
Rubber Tree Plantation and Processing	10,809,367	10,991,628
	<u>431,270,716</u>	<u>301,153,483</u>



13 Finance Cost

Interest Expenses incurred on long term and short-term loan along with related service charges mainly comprise the finance cost of the Corporation for the reporting period of 2023.

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Interest expense	9,292,050	26,527,019
Rate fluctuation	285	-
Bank Service Charges	3,238,023	229,189
	<u>12,530,358</u>	<u>26,756,208</u>

13.1 Finance costs by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	5,772	-
Muger Cement Factory	6,697,914	19,869,490
Awash Melkassa Aluminium Sulphate Factory	1,730,539	403,904
Adami Tulu Pesticide Processing Factory	4,016,696	5,798,530
Batu Coustic Soda Factory	76,180	684,283
Rubber Tree Plantation and Processing	3,258	-
	<u>12,530,358</u>	<u>26,756,208</u>

14 Tax Expense

Tax Expenses are computed and presented only to reflect the Corporation's portion of the tax paid at Corporate level. Tax expenses comprises of current tax and deferred tax. Both taxes were calculated based on the amount of income subjected to tax.

Deferred Tax expense	3,738,440	(16,481,226)
	<u>3,738,440</u>	<u>(16,481,226)</u>

Refer note number 28 for the computation

14.1 Deferred tax income / expense by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	385,197	454,239
Muger Cement Factory	10,656,794	(10,269,985)
Awash Melkassa Aluminium Sulphate Factory	(6,351,543)	(8,648,441)
Adami Tulu Pesticide Processing Factory	5,818,928	(424,517)
Batu Coustic Soda Factory	(9,751,816)	2,164,265
Rubber Tree Plantation and Processing	2,980,881	243,212
	<u>3,738,440</u>	<u>(16,481,226)</u>



CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

15 Property, Plant and Equipment

15.1 PPE by nature of assets

COST	Balance at 1 July 2022	Additions	Transfer /Disposal	Balance at 30 June 2023
Land Holding Area	2,712,461,566	179,968,448		2,892,430,014
Right of Use of Land	156,986,088	(4,797)		156,981,291
Land Improvement	208,607,863	(179,968,448)		28,639,415
Dams - Embankment Dam	125,695,621			125,695,621
Building	2,577,114,697	(1,783,644)		2,575,331,053
Rubber plant	163,609,223	-		163,609,223
Plant Machinery	6,624,127,059	9,741,689		6,633,868,749
Office furniture	14,312,202	990,907	(215,410)	15,087,699
Office equipment	16,527,426	1,552,984	(27,317)	18,053,093
Specialized Equipment	84,105,198	2,372,091		86,477,289
Specialized Equipment Medical	340,500	(340,500)		-
Network & Utility Equipment	16,727,691	195,652		16,923,343
Vehicles licensed	268,693,638	449,687	(3,240,810)	265,902,515
Vehicles Plant	431,703,710	102,397,500		534,101,210
Tools	20,207,015	107,662	(11,183)	20,303,494
Work shop equipment	4,179,777	107,300		4,287,077
House Hold Furniture	1,348,696	-		1,348,696
Fixed Asset in Store	95,009,699	747,188	-	95,756,887
Total Cost	13,521,757,668	116,533,721	(3,494,720)	13,634,796,669
DEPRECIATION				
Land Holding Area	32,618,266	3,391,261	-	36,009,527
Right of Use of Land	8,449,431	1,400,171	-	9,849,602
Land Improvement	47,492,809	7,566,228	-	55,059,037
Dams - Embankment Dam	14,939,953	2,498,860	-	17,438,813
Building	301,380,256	50,772,831	-	352,153,086
Rubber plant	19,210,416	8,822,396	-	28,032,812
Plant Machinery	551,247,556	78,314,090	-	629,561,646
Office furniture	5,031,325	2,491,540	(126,849)	7,396,017
Office equipment	5,127,810	(617,828)	71,992	4,581,974
Specialized Equipment	22,618,275	3,759,879	-	26,378,155
Specialized Equipment Medical	102,150	(102,150)	-	-
Network & Utility Equipment	4,609,448	836,385	-	5,445,833
Vehicles licensed	54,956,307	7,198,225	-	62,154,532
Vehicles Plant	8,121,755	869,071	-	8,990,827
Tools	11,655,225	1,202,687	(1,728)	12,856,184
Work shop equipment	1,619,908	182,863	-	1,802,771
House Hold Furniture	348,399	65,998	-	414,396
Fixed Asset in Store	9,758,749	1,630,600	(191,205)	11,198,144
Total Depreciation	1,099,288,039	170,283,107	(247,789)	1,269,323,357
Net Book Value	12,422,469,629			12,365,473,312

15.2 The right use of the land, the cost of the building and land improvement costs with carrying amounts of Birr 110,868,925.62, Birr 46,994,807.86 and Birr 8,879,081.23 respectively have not been included in the PPE ,however the assets are not existed.



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Currency - Ethiopian Birr

15.1 PPE by branches

	<u>30-Jun-23</u>	<u>30-Jun-22</u>
Head office	24,009,838	24,610,536
Muger Cement Factory	10,044,396,973	10,087,272,026
Awash Melkassa Aluminium Sulphate Factory	699,172,652	706,081,601
Adami Tulu Pesticide Processing Factory	190,452,054	186,098,416
Batu Coustic Soda Factory	1,248,473,686	1,249,840,603
Rubber Tree Plantation and Processing	158,968,138	168,566,447
	<u>12,365,473,340</u>	<u>12,422,469,628</u>

16 Investment

	<u>30-Jun-23</u>	<u>30-Jun-22</u>
Government bond - Adami Tulu	-	100,000
Government bond - Awash Melkassa	50,000	50,000
	<u>50,000</u>	<u>150,000</u>

17 Construction in progress

	<u>30-Jun-23</u>	<u>30-Jun-22</u>
Head office	138,751,050	136,458,383
Muger Cement Factory	10,099,258	7,380,022
Awash Melkassa Aluminium Sulphate Factory	-	-
Adami Tulu Pesticide Processing Factory	1,333,470	1,333,470
Batu Coustic Soda Factory	18,991,640	15,117,436
Rubber Tree Plantation and Processing	27,110,430	27,314,052
	<u>196,285,849</u>	<u>187,603,362</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

18 Non - current assets (NCA) Held for Sale

The Corporation has non-current asset held for sale as presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
NCA Held for sale	509,413	9,481,389
	<u>509,413</u>	<u>9,481,389</u>

18.1 NCA by branches

Muger Cement Factory	-	-
Awash Melkassa Alumnum Sulphate Factory	-	-
Adami Tulu Pesticide Processing Factory	509,413	6,958,941
Batu Coustic Soda Factory	-	2,522,448
Rubber Tree Plantation and Processing	-	-
	<u>509,413</u>	<u>9,481,389</u>

19 Inventories

Inventories have not been pledged in the period as a collateral for borrowing. The Corporation recognized allowance for inventory impairment over the three years as depicted here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Finished Goods	139,187,837	68,833,665
Work In process	108,565,591	458,311,073
Raw Material	383,757,550	175,432,406
Stationary materials	5,862,882	-
Laboratory materials	1,335,321	-
Rubber plant nurseries	2,263,485	-
Tools	-	-
Packing Materials	29,892,891	40,423,388
Spare Parts	970,663,471	891,320,840
Indirect materials	19,536,243	7,096,131
Books and Periodicals	433,762	-
Other Materials	508,294,278	367,725,606
Goods in Transit	194,641,603	139,651,666
Allowance for Stock Impairment	(42,149,884)	(20,095,026)
	<u>2,322,285,030</u>	<u>2,128,699,749</u>

19.1 Inventories by branches

Head office	3,663,582	270,951
Muger Cement Factory	1,651,619,091	1,726,456,734
Awash Melkassa Alumnum Sulphate Factory	339,251,993	161,021,378
Adami Tulu Pesticide Processing Factory	289,881,267	217,815,428
Batu Coustic Soda Factory	16,513,053	12,473,745
Rubber Tree Plantation and Processing	21,356,045	10,661,514
	<u>2,322,285,030</u>	<u>2,128,699,749</u>



CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

20 Trade and Other Receivables

The Corporation measured and recognized trade and other receivables as per IFRS 9. The simplified approach for estimating the expected credit loss is applied and presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Trade	204,738,952	227,444,456
Staff	10,228,993	10,447,797
Supplier Advance	-	55,691,215
Project receivable	40,040,662	-
Purchase Advance	-	5,706,930
Deposits	-	5,759,228
Salary advance	32,648	-
Creditors with debit balance	-	4,645,689
Sundry debtors	13,429,834	17,169,489
Provision for Expected Loss	(92,795,321)	(48,462,406)
	<u>175,675,769</u>	<u>278,402,398</u>

Current year charge of Allowance for credit Loss 44,332,915 3,637,219

20.1 Trade and other receivables by branches

Head office	861,674,921	985,938
Muger Cement Factory	185,430,825	207,355,434
Awash Melkassa Alumnum Sulphate Factory	82,080,726	13,041,781
Adami Tulu Pesticide Processing Factory	91,589,389	46,865,910
Batu Coustic Soda Factory	2,929,196	9,784,354
Rubber Tree Plantation and Processing	40,720,391	368,981
	<u>1,264,425,449</u>	<u>278,402,398</u>

21 Cash and Cash equivalents

The Corporation's cash and cash equivalents are presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Cash on hand	39,239	66,645
Cash in Bank	662,587,453	660,853,062
	<u>662,626,692</u>	<u>660,919,707</u>

21.1 Cash and bank balances by branches

Head office	73,918,128	31,126,382
Muger Cement Factory	495,286,855	412,422,710
Awash Melkassa Alumnum Sulphate Factory	18,953,494	178,976,741
Adami Tulu Pesticide Processing Factory	63,655,631	35,571,775
Batu Coustic Soda Factory	3,451,289	1,183,861
Rubber Tree Plantation and Processing	7,361,296	1,638,238
	<u>662,626,692</u>	<u>660,919,707</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

22 Prepayments

The Corporation's prepayment are presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Prepayments	325,903,781	9,536,084
Deposits	177,507	582,435
	<u>326,081,288</u>	<u>10,118,519</u>

22.1 Prepayments by branches

Head office	96,000	101,700
Muger Cement Factory	299,455,592	-
Awash Melkassa Alumnum Sulphate Factory	18,315,825	-
Adami Tulu Pesticide Processing Factory	8,203,871	8,830,681
Batu Coustic Soda Factory	10,000	1,186,138
Rubber Tree Plantation and Processing	-	-
	<u>326,081,288</u>	<u>10,118,519</u>

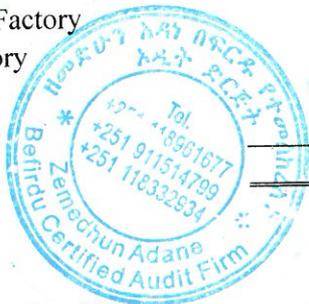
23 Tax receivable

The Corporation's prepayment are presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Value added tax	40,159,506	17,043,111
Inland authority receivable	796,797	-
Withholding tax	183,631,396	201,305,673
	<u>224,587,699</u>	<u>218,348,784</u>

23.1 Current tax receivable by branches

Head office	18,024,273	3,014,503
Muger Cement Factory	180,149,710	179,519,696
Awash Melkassa Alumnum Sulphate Factory	7,815,269	6,855,717
Adami Tulu Pesticide Processing Factory	15,339,009	24,879,787
Batu Coustic Soda Factory	2,795,936	3,539,276
Rubber Tree Plantation and Processing	463,502	539,805
	<u>224,587,699</u>	<u>218,348,784</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

24 State Paid Up Capital

The company is fully state owned public entity and has been established with the subscribed capital of Birr 21,719,751,376. The registered and paid up capital is stated below:

	30-Jun-23	30-Jun-22
	ETB	ETB
State Paid up Capital	5,913,554,840	5,913,554,840
Contribution Capital	683,382,489	-
	6,596,937,329	5,913,554,840

The corporation had a paid up capital of ETB 6,596,937,329 and there is no additional state capital contribution by the government as of 30 June 2023.

25 Retained earnings

	30-Jun-2023	30-Jun-2022
Balance as at the start of the year	4,632,076,569	4,181,703,225
Profit / loss of the year	461,225,151	102,686,248
Current Tax	(125,130,929)	(16,986,368)
Dividend tax paid	(56,990,420)	-
Transfer to capital	(683,382,489)	-
Transfer to legal reserve	(16,804,711)	-
Prior years adjustment	(7,561,478)	364,673,465
Balance as at the end of the year	4,203,431,693	4,632,076,569



CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

26 Borrowings

The Corporation has obtained IDF of Birr 593,701,549 from ministry of finance for the project of rehabilitation of goma zaf, Awash melekasa and Muger cement factory .

26.1 Non - current portion

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Commercial Bank of Ethiopia - Head Office	-	
Commercial Bank of Ethiopia - Batu Caustic Soda Factory	10,020,945	36,910,328
Interest on loan	27,650,618	-
	<u>37,671,563</u>	<u>36,910,328</u>

26.2 Current portion

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Commercial Bank of Ethiopia -Batu Caustic Soda Factory	-	2,532,000
	<u>-</u>	<u>2,532,000</u>

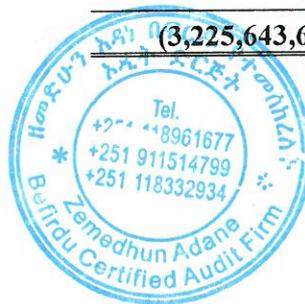
26.3 Loan -IDF

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
IDF Loan for Rehabilitation-Goma Zaf	28,000,000	28,000,000
IDF Loan for Rehabilitation - Awash Melkasa	170,000,000	170,000,000
IDF Loan for Rehabilitation - Muger Cement Factory	395,701,549	395,701,549
	<u>593,701,549</u>	<u>593,701,549</u>

27 Differed Income Tax Liability or Asset

The differed tax liability and asset are computed based on items that result in temporary difference and it is presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Deferred tax asset / liability - PPE (28.2)	(3,321,505,486)	(3,296,200,194)
Deferred tax asset / liability -impairment of inventories (28.3)	12,644,965	6,405,753
Deferred tax asset / liability - Severance payable (28.4)	28,364,059	24,406,480
Deferred tax asset / liability - Annual leave payable (28.5)	27,014,197	21,982,245
Deferred tax asset / liability - Expected credit loss (28.6)	27,838,596	13,507,805
Others - Not identified up on consolidation	-	515,803
Tax 30%	<u>(3,225,643,668)</u>	<u>(3,229,382,108)</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

27.1 Deferred tax liability / asset by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	(4,261,010)	4,646,207
Muger Cement Factory	(2,586,465,400)	2,597,122,194
Awash Melkassa Alumnum Sulphate Factory	(181,799,617)	175,448,074
Adami Tulu Pesticide Processing Factory	(29,921,270)	35,740,197
Batu Coustic Soda Factory	(372,992,509)	363,312,693
Rubber Tree Plantation and Processing	(50,203,862)	53,112,743
	<u>(3,225,643,668)</u>	<u>3,229,382,108</u>

27.2 Differed Income Tax Liability or Asset (PPE)

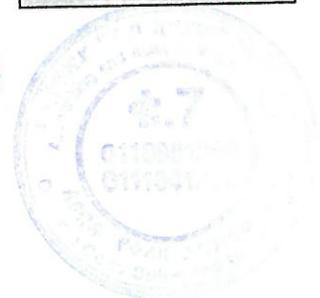
	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Tax base	1,332,331,546	1,469,442,805
Accounting base	12,404,016,498	12,456,776,784
Temporary difference	<u>(11,071,684,952)</u>	<u>(10,987,333,979)</u>
Tax 30%	<u>(3,321,505,486)</u>	<u>3,296,200,194</u>

27.3 Differed Income Tax Liability or Asset (Impairment of inventories)

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Tax base	-	-
Accounting base	42,059,789	(21,352,510)
Temporary difference	<u>42,059,789</u>	<u>21,352,510</u>
Tax 30%	<u>12,617,937</u>	<u>(6,405,753)</u>

27.4 Differed Income Tax Liability or Asset (Severance payable)

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Tax base	-	-
Accounting base	94,546,864	(81,354,932)
Temporary difference	<u>94,546,864</u>	<u>81,354,932</u>
Tax 30%	<u>28,364,059</u>	<u>(24,406,480)</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

27.5 Differed Income Tax Liability or Asset (Annual leave payable)

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Tax base	-	-
Accounting base	90,047,322	(73,274,150)
Temporary difference	<u>90,047,322</u>	<u>73,274,150</u>
Tax 30%	<u>27,014,197</u>	<u>(21,982,245)</u>

27.6 Differed Income Tax Liability or Asset (Provision for expected credit loss)

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Tax base	-	-
Accounting base	92,795,321	(45,026,015)
Temporary difference	<u>92,795,321</u>	<u>9,033,838</u>
Tax 30%	<u>27,838,596</u>	<u>(2,710,152)</u>

28 Employee Benefits

The Corporation presented accrued leave as current liability and severance as long-term employee benefits liability as presented here under:

28.1 Severance pay

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Accrued Severance pay	94,546,864	81,354,932
	<u>94,546,864</u>	<u>81,354,932</u>
Change to current year profit or loss statement	<u>13,191,933</u>	

28.2 Accrued severance pay by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	2,096,696	2,304,653
Muger Cement Factory	79,112,584	61,154,354
Awash Melkassa Aluminium Sulphate Factory	4,652,253	4,545,875
Adami Tulu Pesticide Processing Factory	1,657,139	1,544,934
Batu Coustic Soda Factory	1,849,367	6,781,664
Rubber Tree Plantation and Processing	5,178,825	5,023,452
	<u>94,546,864</u>	<u>81,354,932</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

28.3 Accrued annual leave

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Accrued Annual Leave	90,047,322 ✓	73,274,151
	<u>90,047,322</u>	<u>73,274,151</u>
Change to current year profit or loss statement	<u>16,773,171</u>	

28.3.1 Accrued annual leave by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	4,483,177	3,436,391
Muger Cement Factory	75,455,328	60,002,349
Awash Melkassa Aluminium Sulphate Factory	4,879,091	4,437,642
Adami Tulu Pesticide Processing Factory	1,833,531	1,602,661
Batu Coustic Soda Factory	1,573,284	2,284,179
Rubber Tree Plantation and Processing	1,822,910	1,510,930
	<u>90,047,322</u>	<u>73,274,151</u>

29 Lease Liabilities

29.1 Current portion - Muger Cement Factory

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Current Lease Liability	1,036,718	1,036,718
	<u>1,036,718</u>	<u>1,036,718</u>

29.2 Non Current portion - Muger Cement Factory

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Non Current Lease Liability	26,298,919	27,335,637
	<u>26,298,919</u>	<u>27,335,637</u>

30 Current Tax Liabilities

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Value added tax (VAT)	56,472,650	59,279,088
Withholding Tax	3,711,162	2,842,542
Employees income tax	17,304,229	13,343,971
Sales Tax	830,711	-
Standardization Tax	28,999,301	-
Other Taxes	8,938	-
	<u>107,326,992</u>	<u>75,465,601</u>



CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

30.1 Current tax liabilities by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	686,072	566,117
Muger Cement Factory	102,756,081	70,803,637
Awash Melkassa Alumnum Sulphate Factory	1,206,383	738,912
Adami Tulu Pesticide Processing Factory	1,041,986	496,454
Batu Coustic Soda Factory	1,032,376	2,270,561
Rubber Tree Plantation and Processing	604,093	589,920
	<u>107,326,992</u>	<u>75,465,601</u>

31 Accrued Liabilities

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Interest Payable	2,235,069	2,235,069
Rent payable	3,618,369	-
Salaries and wages	54,729,607	4,683,617
Professional fees	79,000	709,700
Transport	14,172,871	7,890,719
Utilities	-	39,455,693
Bonus	858,876	258,921
Board fee	38,000	-
Others accrued liability	114,809,038	123,767,561
	<u>190,540,830</u>	<u>179,001,280</u>

31.1 Accrued liabilities by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	1,757,588	853,621
Muger Cement Factory	184,627,748	176,021,225
Awash Melkassa Alumnum Sulphate Factory	3,639,135	2,019,606
Adami Tulu Pesticide Processing Factory	-	-
Batu Coustic Soda Factory	516,360	106,827
Rubber Tree Plantation and Processing	-	-
	<u>190,540,830</u>	<u>179,001,280</u>

32 Unearned Revenue

The unearned revenue is related to Muger Cement Factory and presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Unearned Revenue-Muger	620,165,637	735,837,856
Addis Ababa	-	-
	<u>620,165,637</u>	<u>735,837,856</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

33 Trade and Other Payables

The Corporation's trade and other payables are presented here under:

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Trade	100,684,630	144,629,856
Cost Sharing Payable	40,075	63,518
Pension Contribution	5,254,843	4,688,301
Royalty payable from sales of Raw Material	747,744	747,744
Staff payable	7,729,298	-
Healthy insurance contribution	99,118	99,118
Standerized Service charge	-	28,999,301
Sales tax and other tax	-	839,649
Performance bond - Batu	65,612	75,612
Provident Fund	212,012	212,012
Custom deposit	4,800,000	-
Debtors with credit balance	-	4,357,999
Interbranch contribution	22,978,215	19,208,800
Sundry debtors	185,797,348	56,222,817
	<u>328,408,896</u>	<u>260,144,728</u>
Intercompany payable account (Note 34.2 below)	144,664	232,821
	<u>328,553,560</u>	<u>260,377,549</u>

33.1 Trade and other Payables by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	23,332,648	19,677,894
Muger Cement Factory	214,381,784	132,887,841
Awash Melkassa Alumnum Sulphate Factory	13,207,454	5,241,374
Adami Tulu Pesticide Processing Factory	42,090,423	52,488,822
Batu Coustic Soda Factory	33,675,136	45,120,922
Rubber Tree Plantation and Processing	1,721,451	4,727,875
	<u>328,408,896</u>	<u>260,144,728</u>

33.2 Intra-company Payables by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	144,664	232,821
Muger Cement Factory	-	-
Awash Melkassa Alumnum Sulphate Factory	-	-
Adami Tulu Pesticide Processing Factory	-	-
Batu Coustic Soda Factory	-	-
Rubber Tree Plantation and Processing	-	-
	<u>144,664</u>	<u>232,821</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

34 Overdraft

There is an overdraft facility at Commercial Bank of Ethiopia.

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Overdraft	11,998,331	13,459,860
	<u>11,998,331</u>	<u>13,459,860</u>

34.1 Overdraft facility by branches

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Head office	-	-
Muger Cement Factory	-	-
Awash Melkassa Alumnum Sulphate Factory	11,998,331	13,056,604
Adami Tulu Pesticide Processing Factory	-	403,256
Batu Coustic Soda Factory	-	-
Rubber Tree Plantation and Processing	-	-
	<u>11,998,330.76</u>	<u>13,459,860.32</u>

35 Provision for profit tax

35.1 Profit tax liability

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Balance brought forward	60,892,558	28,884,854
Adjustment of opening balance	-	(10,878,934)
Settlement during the year	(60,892,558)	(25,900,270)
Prfit tax settlement -WHT	-	-
Additional tax as per tax assessment	-	51,800,540
Current year provision - Below	128,869,369	16,986,368
	<u>128,869,369</u>	<u>60,892,558</u>



**CHEMICAL INDUSTRY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

35.2 Provision for profit tax computation

	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
Profit / loss of the year	455,581,960	119,167,474
Add - Disallowable expenses for tax purposes		
Donation and contribution	✓ 1,619,933	287,092
Penalties	✓ 729,531	1,259,588
Entertainment	✓ 5,411,741	3,499,061
	<hr/> 463,343,165	<hr/> 124,213,215
Adjustments for IFRS entries		
Expected credit loss	✓ 51,942,282	16,408,441
Annual leave and severance provisions	✓ 29,965,103	29,325,584
Depreciation expense for financial reporting	✓ 170,283,107	174,325,701
	<hr/> 715,533,658	<hr/> 344,272,940
Less		
Severance and annual leave paid in cash	✓ (990,784)	(673,664)
Bank interest income taxed at source	✓ 209,160	-
Depreciation expense for income tax purposes	✓ (285,187,472)	(286,978,050)
	<hr/> 429,564,562	<hr/> 56,621,227
Net profit for income tax purposes	<hr/> 429,564,562	<hr/> 56,621,227
Provision for profit tax	<hr/> 128,869,369	<hr/> 16,986,368



INDEPENDENT AUDITORS' COMPLIANCE REPORT **CHEMICAL INDUSTRY CORPORATION**

In accordance with our appointment as auditors, we have audited the financial statements of Chemical Industry Corporation for the year ended 30 June 2023 and have forwarded the audited financial statements and auditors' reports there on and the management letter under separate covers.

During our audit of the accounts of the Entity for the year stated above, we have examined certain aspects of compliance practices of the Corporation with reference to working manuals of the Corporation which include the Procurement Manual Number 07/2012, Human Resource Management and Administration Manual, Accounting Policies and Reporting Practices Policy and applicable national laws as the income tax proclamation and value added tax proclamation with the related regulations.

Our audit engagement was to perform audit procedures primarily designed to express our opinion on the financial statements of the year ended 30 June 2023 as a whole and also provide management letter and compliance report. As there are no pre – set national agreed up on audit procedures on areas of matters to be covered under compliance report for public entities, we have planned and designed our audit procedures to check whether the Entity has complied its working manuals as Procurement manual Number 07/2012, Human Resource Management and Administration Manual, Accounting Policies and Reporting Practices Policy and applicable national laws as the income tax proclamation and value added tax proclamation with the related regulations during our audit of the financial statements of the year stated.



Please note that the compliance report is not a comprehensive statement that enumerates all the strength and weaknesses of the Entity in compliance matters. It documents only those matters which came to our attention as a result of the audit procedures we have performed with the primary objective of expressing our opinion on the financial statements as a whole based on the audit procedures conducted on a test basis 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 International Standards on Auditing (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. Hence, based on these audit procedures our assignment for the audit is to express our opinion on the financial statements as a whole and to provide recommendations for improvements in accounting and control procedures and compliance matters, but not to express an opinion on the effectiveness these procedures. Hence, our compliance report cannot be expected to include all possible improvements and to disclose all irregularities on compliance matters, if any, should special audits have been performed.

Our opinion

The results of our tests disclosed no instances of noncompliance that are required to be reported based on the procedures stated above and hence we are of the opinion that Chemical Industry Corporation has performed its activities, in all material respects, during the year ended 30 June 2023, in compliance with its working manuals and applicable national laws and the related regulations.



This report is intended for the information of Chemical Industry Corporation. However, upon release by the Corporation, this report is a matter of public record and its distribution is not limited.

We express our appreciation to the management and staffs of the Corporation for the courtesy and assistance in the conduct of our audit.

Warm regards,



ZEMEDHUN ADANE, FCCA
Chartered Certified Accountants
Certified Audit Firm
12 October 2023

