

# CHEMICAL INDUSTRY CORPORATION

## FINANCIAL STATEMENTS AND AUDIT REPORT 30 JUNE 2024

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## **INDEPENDENT AUDITOR'S COMPLIANCE REPORT** **CHEMICAL INDUSTRY CORPORATION**

In accordance with our appointment as auditors, we have audited the financial statement of Chemical Industry Corporation for the year ended 30 June 2024 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 the Corporation with reference to working manuals of the Corporation which include the Proclamation 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 2024 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 proclamations 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 weakness of the Entity in compliances 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 and auditor's report the includes our opinion. Reasonable assurances are a high level of assurances, but are not a guarantee that an audit conducted in accordance with the International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatement 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 statement. 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 recommendation for improvements in accounting and control procedures and compliances 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 audit have been preformed .

**Our Opinion**

The result of our tests disclosed on no instance of non-compliance 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 2024, 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.

*Ty-shi & Ay*

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



Addis Ababa  
03 September 2024



**CHEMICAL INDUSTRY CORPORATION  
CONSOLIDATED REPORTS AND ANNUAL FINANCIAL STATEMENTS  
TABLE OF CONTENTS  
FOR THE YEAR ENDED 30, JUNE 2024**

	Pages
Management, professional advisers and registered office	1
Report of the Management	2
Statement of magamanet responsibility	3
Independent auditor's report	4-5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10-39



**CHEMICAL INDUSTRY CORPORATION**  
**IFRS FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**  
**CORPORATE INFORMATION**

**GENERAL INFORMATION**

Tax identification Number (TIN) 0039606967

**Business Address**

Addis Ababa City, Bole sub city, House No.2055

Telephone +251 116187496

Fax +251116898993 / +251 116181368

P.O.BOX 2008

**Branches under Corporation**

Mugher Cement Factory

Adami Tulu pesticide Factory

Awash Melkassa Chemical Factory

Batu Caustic Soda Factory

Rubber Tree Plantation and Processing

**Management Information / Executive Management**

Dr.Enginneer Hundessa Dessalegn Chief Executive Officer

Mr. Birhanu Mekuye Finance Division Deputy Chief Executive

Dr. Lemma Dendena Project and Operation Division Deputy Executive

Mr. Seifu Biratu Service Deputy Chief Executive

**Principal Bankers**

Commercial Bank of Ethiopia

**Independent auditor**

**Tafesse, Shisema and Ayalew Certified Audit Partnership (TMS Plus)**

Chartered Certified Accountants (UK)

PO Box 110690

Addis Ababa

Ethiopia



**CHEMICAL INDUSTRY CORPORATION  
REPORT OF THE MANAGEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

The Management prepared their report together with the financial statements as at and for the year ended 30 June 2024.

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 2024 is set out on page 7 and summarized results are presented below:

	<b>30-Jun-24</b> <b><u>Birr</u></b>	<b>30-Jun-23</b> <b><u>Birr</u></b>
Gross income of the period	<b><u>5,637,661,475.61</u></b>	<b><u>4,561,651,499</u></b>
Profit before tax	1,632,696,541.84	455,581,959
Business income tax expense / income	(583,827,275.59)	(125,130,929)
Profit of the period after income tax	<b><u>1,048,869,266.25</u></b>	<b><u>330,451,030</u></b>

**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:

CEO



Finance Division Deputy Chief Executive

Birhanu Mekaye Gizaw  
Deputy Chief Executive Officer,  
Corporate Finance Division



**CHEMICAL INDUSTRY CORPORATION**  
**IFRS financial statements**  
**Statement of Managements' responsibilities**  
**FOR THE YEAR ENDED 30 JUNE 2024**

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 of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Management is required keep such records as are necessary to:

- a) exhibit clearly and correctly the state of its affairs;
- b) explain its transactions and financial position; and
- c) 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, Banking Business Proclamation, Commercial code 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 Corporation and of its profit or loss.

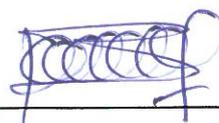
The Management further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Management by:

  
  
**Chief Executive Officer**



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



**INDEPENDENT AUDITORS' REPORT ON THE ACCOUNTS OF  
CHEMICAL INDUSTRY CORPORATION****Qualified Opinion**

We have audited the financial statements of Chemical Industry Corporation, which comprise the statement of financial position as at 30 June 2024, the statement of profit and loss and other comprehensive income, the statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matters stated under the Basis for Qualified Opinion section of the report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB).

**Basis for Qualified 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 Statements section of our report. We are independent of the Company in accordance with the Ethiopian Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence, we have obtained is sufficient and appropriate to provide a basis for our opinion.

1. As noted in the prior year, the Corporation owned land and building, located in Addis Ababa around Gotera, which have been taken back by the government and the buildings were demolished by the Addis Ababa City Administration. The right use of the land, the cost of the building, and land improvement costs with carrying amounts of Birr 110,868,925.62, and Birr 46,994,807.86 and Birr 8,879,081.23 respectively have not been derecognized and still reflected in the financial statements. We are of the opinion that the Corporation has no control over these assets and no expected future benefit from use, although we have received evidences that the management has been making efforts to recover the assets and high probable to get compensation from defendant based on the legal evidence.



### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, the Management are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Tafesse, Shisema & Ayalew*

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

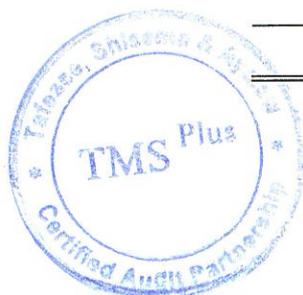
Addis Ababa  
03 September 2024



**CHEMICAL INDUSTRY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2024**

Currency: Ethiopian Birr

	Notes	<u>30-Jun-24</u>	<u>30-Jun-23</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment (net)	15	12,542,709,758	12,365,473,312
Investment-Government Bond	16	50,000	50,000
Construction in progress	17	230,446,541	196,285,849
		<b>12,773,206,299</b>	<b>12,561,809,161</b>
<b>Current assets</b>			
Non current assets held for sell	18	-	509,413
Inventories	19	3,123,457,075	2,322,285,030
Trade and other receivables	20	360,512,481	175,675,769
Cash and cash equivalents	21	1,088,495,208	662,626,692
Prepayments	22	8,607,993	326,081,288
Current tax receivable	23	208,749,632	224,587,699
		<b>4,789,822,389</b>	<b>3,711,765,892</b>
<b>Total assets</b>		<b>17,563,028,689</b>	<b>16,273,575,053</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
State capital	24	6,596,937,329	6,596,937,329
Legal reserve		16,804,711	16,804,711
Retained Earnings	25	5,199,920,567	4,203,431,693
<b>Total equity</b>		<b>11,813,662,607</b>	<b>10,811,173,732</b>
<b>Non-current liabilities</b>			
Borrowing	26.1	35,604,739	37,671,563
Loan -IDF	26.2	593,701,549	593,701,549
Deferred tax liabilities	27	3,352,761,125	3,225,643,668
Employee Benefit-Severance Pay	28.1	107,129,550	94,546,864
Lease Liabilities	29.2	25,262,201	26,298,919
		<b>4,114,459,165</b>	<b>3,977,862,564</b>
<b>Current liabilities</b>			
Current Tax Liabilities	30	109,372,936	107,326,992
Accrued Liabilities	31	181,464,738	190,540,830
Unearned Revenue	32	438,110,966	620,165,637
Trade and other payables	33.1	300,256,517	328,553,559
Employee Benefit-Annual Leave	28.3	103,720,125	90,047,322
Lease Liability	29.1	1,036,718	1,036,718
Bank overdraft	34	44,235,103	11,998,331
Profit tax liability	35	456,709,819	128,869,369
		<b>1,634,906,923</b>	<b>1,478,538,756</b>
<b>Total liabilities</b>		<b>5,749,366,087</b>	<b>5,456,401,320</b>
<b>Total equity and liabilities</b>		<b>17,563,028,689</b>	<b>16,273,575,053</b>



## CHEMICAL INDUSTRY CORPORATION

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2024

Currency: Ethiopian Birr

	Notes	30-Jun-2024	30-Jun-2023
REVENUE	8	5,572,310,464	4,542,337,485
COST OF SALES	9	(3,341,887,834)	(3,563,319,507)
GROSS PROFIT		2,230,422,629	979,017,978
OTHER INCOME	10	65,351,012	19,314,014
		2,295,773,641	998,331,993
<b>EXPENSES</b>			
Selling and marketing expense	11	141,146,293	98,948,959
Administrative expenses	12	512,213,285	431,270,716
		(653,359,578)	(530,219,675)
<b>Operating Profit ( Loss)</b>		1,642,414,063	468,112,318
Finance Charges	13	(9,717,521)	(12,530,358)
Profit before tax		1,632,696,542	455,581,959
Differed income (expense)		-	5,643,191
		1,632,696,542	
Provision for profit tax	35	(456,709,819)	(128,869,369)
		1,175,986,722	332,355,782
Differed tax expense	14	(127,117,456)	3,738,440
<b>Profit for the year ( net of tax )</b>		1,048,869,266	336,094,222



**CHEMICAL INDUSTRY CORPORATION**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
<b>Cash Flow from Operating Activities</b>		
Profit Before Tax	1,632,696,542	461,225,151
<b>Adjusted For:</b>		
Depreciation	173,878,898	170,283,107
Adjustment of Fixed Assets	8,932,291	3,246,931
Adjustment on deferred tax	-	-
Prior Year Adjustments	104,071,469	(7,561,478)
	<u><b>1,919,579,199</b></u>	<u><b>627,193,711</b></u>
<b>Net Changes in Working Capital</b>		
Increase/Decrease in Inventories	(801,172,045)	(193,585,281)
Increase/Decrease in Trade and Other Receivable	(184,836,712)	(986,023,051)
Increase/Decrease in Prepayment & Advance	317,473,295	(315,962,769)
Increase/Decrease in Current Tax Receivables	15,838,067	(6,238,915)
Increase/Decrease in Assets held for sale	509,413	8,971,975
Increase/Decrease in Current Tax Payables	2,045,944	31,861,390
Increase/Decrease in Unearned Revenue	(182,054,671)	(115,672,219)
Increase/Decrease in Lease Liability	(1,036,718)	(1,036,718)
Increase/Decrease in Accrued liabilities	(9,076,091)	11,539,550
Increase/Decrease in Employee Benefit	26,255,489	29,965,103
Profit tax adjustment	-	-
Profit tax paid	(128,869,369)	(60,892,558)
Increase/Decrease in Trade & other Payable	(28,297,042)	1,156,925,690
	<u><b>(973,220,439)</b></u>	<u><b>(440,147,803)</b></u>
<b>Net Cash (In)/(Out) flow from Operating Activities</b>	<u><b>946,358,760</b></u>	<u><b>187,045,908</b></u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(360,047,635)	(116,533,721)
Change in investment	-	100,000
Construction in progress	(34,160,693)	(8,682,486)
<b>Net Cash (In)/(Out) flow from Investing Activities</b>	<u><b>(394,208,328)</b></u>	<u><b>(125,116,207)</b></u>
<b>Cash Flows from Financing Activities:</b>		
Increase/Decrease in Overdraft	32,236,772	(1,461,530)
Dividend paid	(156,451,860)	(56,990,421)
Bank loan (Net)	(2,066,824)	(1,770,765)
<b>Net Cash (In)/(Out) flow from Financing Activities</b>	<u><b>(126,281,913)</b></u>	<u><b>(60,222,716)</b></u>
<b>Net Cash (In)/(Out) flow for the Year</b>	425,868,519	1,706,985
Cash and Cash equivalents at the beginning of the year	662,626,692	660,919,707
<b>Net cash and cash equivalents at the end of the year</b>	<u><b>1,088,495,211</b></u>	<u><b>662,626,692</b></u>
<b>Analysis of Cash and Cash Equivalent</b>		
Cash on hand	38,516	39,239
Cash at Bank	1,088,456,692	662,587,453
<b>Cash and Cash equivalents at the End of the year</b>	<u><b>1,088,495,211</b></u>	<u><b>662,626,692</b></u>



**CHEMICAL INDUSTRY CORPORATION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

	State / Paid up capital	Retained Earnings	Legal Reserve	Total
<b>Balance at 30 June 2022</b>	<b>5,913,554,840</b>	<b>4,632,076,569</b>	-	<b>10,545,631,409</b>
Profit for the year	-	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)
<b>Balance at 30 June 2023</b>	<b>6,596,937,329</b>	<b>4,203,431,693</b>	<b>16,804,711</b>	<b>10,817,173,733</b>
Profit for the year	-	1,048,869,266	-	1,048,869,266
Transfer to legal reserve	-	-	-	-
Dividend tax paid	-	(156,451,860)	-	(156,451,860)
Prior years adjustment	-	104,071,469	-	104,071,469
<b>Balance at 30 June 2024</b>	<b>6,596,937,329</b>	<b>5,199,920,567</b>	<b>16,804,711</b>	<b>11,813,662,607</b>



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**1 General information**

Chemical Industry Corporation is a legal entity and is a group company which controls Mugger Cement Factory, Batu Caustic Soda Factory, Rubber Tree Plantation and Processing, 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 2024 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**

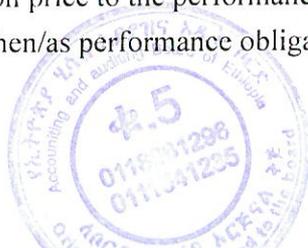
The financial statements are presented in Ethiopian Birr (ETB), which is also the functional currency of the Corporation.

**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

1. Identifying the contract with customer
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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

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**

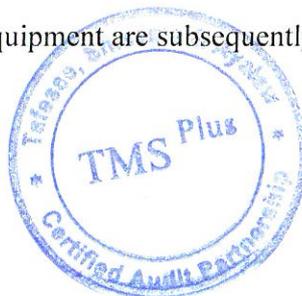
#### **3.6.1. Right of Use Land**

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



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

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:

<b>Deprecation Methods and Estimates</b>	
<b>Description</b>	<b>Economic life</b>
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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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**

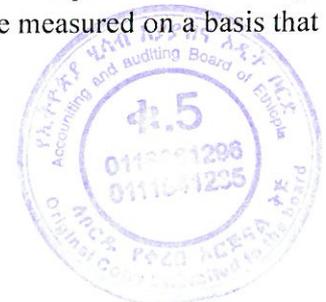
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Corporation's statement of financial position) when:

§ 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

- the Corporation has transferred substantially all the risks and rewards of the asset, or
- 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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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.



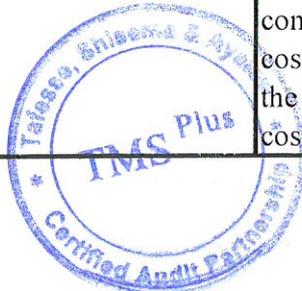
**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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.

<b>Inventory</b>	<b>Description</b>
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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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.

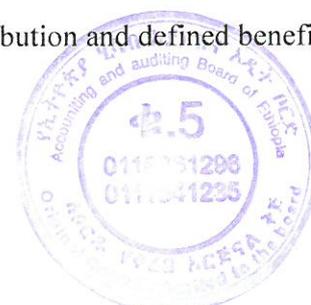
Any profit or loss arising from the sale of a discontinued operation or its re-measurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

**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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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**

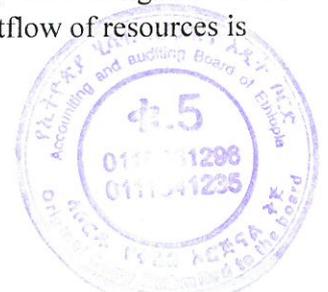
Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Corporation and amounts can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





**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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**

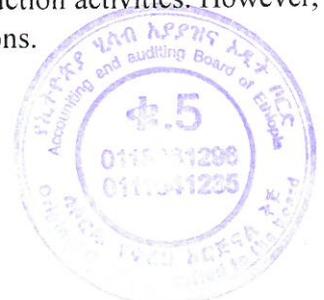
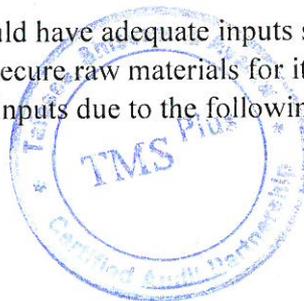
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its 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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**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.



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

**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 2024 reporting date and the date of authorization.

**7 Authorization of financial statements**

The financial statements for the year ended 30 June 2024 (including comparatives) were prepared and approved for issue on 6 September 2024.

**8 Revenue**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
<b>Income from sales of branches' products</b>		
Muger Cement Factory	4,762,283,174.45	3,815,284,644
Awash Melkassa Chemical Factory	363,804,383.00	333,182,535
Adami Tulu Pesticide Processing Factory	258,087,028.34	278,292,359
Batu Coustic Soda Factory	124,385,877.99	74,592,290
Rubber Tree Plantation and Processing	63,750,000.00	40,985,657
<b>Net Sales Revenue</b>	<b><u>5,572,310,463.78</u></b>	<b><u>4,542,337,485</u></b>



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

**9 Cost of Sales**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Stock of Direct Materials, Beginning (Refer Muger)	140,474,818	-
Work in Process, Beginning	101,199,160	519,658,679
Finished Goods, Beginning	139,187,817	4,713,179
Cost of Direct Material	708,101,182	375,752,357
Indirect materials	1,451,324,195	1,780,245,578
Direct Labor	170,373,696	140,470,414
Indirect labor	257,783,872	215,714,104
Employees Benefits	131,384,288	108,106,413
Electricity and Water	229,972,860	114,207,595
Factory Running ,supplies & Maintenance	131,366,202	149,649,237
Transportation Charge	351,592,516	269,676,313
Property Insurance	11,563,860	9,567,589
Depreciation	134,017,890	132,896,572
Other overheads	18,584,980	18,061,664
	<b>3,976,927,336</b>	<b>3,838,719,694</b>
Work in Process, Ending	(170,050,006)	(101,199,161)
Cost of sales of Raw Materials( Refer Muger)	(11,309,925)	(34,443,798)
Direct Material Cost, Ending-(Refer Muger)	(175,046,501)	-
Finished goods , Ending-	(272,841,059)	(139,187,817)
Cost of internal use (Refer Muger)	(5,792,010)	(569,412)
<b>Cost of Goods Sold</b>	<b>3,341,887,834</b>	<b>3,563,319,507</b>

**9.1 Cost of sales by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Muger Cement Factory	2,852,471,916	3,097,771,908
Awash Melkassa Chemical Factory	244,202,631	235,037,189
Adami Tulu Pesticide Processing Factory	141,311,986	156,064,097
Batu Coustic Soda Factory	81,900,987	56,855,307
Rubber Tree Plantation and Processing	22,000,314	17,591,004
	<b>3,341,887,834</b>	<b>3,563,319,507</b>



**CHEMICAL INDUSTRY CORPORATION**  
**NOTES OF THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

**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-2024</u>	<u>30-Jun-2023</u>
Sales of used, scrap & by product materials	17,501,453	4,944,028
Rental income	1,293,548	52,918
Gain on Sales of Fixed Assets	12,171	3,991,788
Sales of Bid Bond Document	173,377	4,694,131
Sales of service	1,006,464	809,658
Weigh bridge	163,448	158,434
Interest Income	309,370	209,160
Penalty and fines	66,464	29,480
Miscellaneous income	44,824,716	4,424,415
	<u><b>65,351,012</b></u>	<u><b>19,314,014</b></u>

**10.1 Other income by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	47,500	53,056
Muger Cement Factory	44,473,748	11,621,482
Awash Melkassa Aluminum Sulphate Factory	6,194,545	1,175,102
Adami Tulu Pesticide Processing Factory	12,172,391	2,192,870
Batu Coustic Soda Factory	2,363,992	4,167,188
Rubber Tree Plantation and Processing	98,836	104,317
	<u><b>65,351,012</b></u>	<u><b>19,314,014</b></u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

**11 Selling and Marketing Expenses**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Salaries & Wages	43,481,968	31,308,045
Employees benefits	14,600,927	18,466,746
Transportation	1,300,107	180,440
Repair & Maintenance, Fuel, etc.	38,847,043	18,569,656
Telephone, Postage, Stationery & Printing	1,269,765	2,631,639
Utilities	1,711	-
Peridem & Traveling	1,960,532	1,657,808
Insurances	2,181,551	2,139,447
Depreciations	3,037,460	3,098,261
Rents	1,093,267	360,000
Advertising and publicity	9,315,059	2,997,496
Sports Club Expenses	13,728,441	9,123,058
Penalty	-	208,256
Entertainments	393,153	252,255
Share of aux.dept.expense	8,382,269	-
Donation, Sponsorship & Gift	-	-
Training expenses	-	1,200
Miscellaneous Expenses	1,553,043	7,954,652
	<u>141,146,293</u>	<u>98,948,959</u>

**11.1 Selling and marketing expenses by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	-	-
Muger Cement Factory	126,786,824	89,920,157
Awash Melkassa Aluminum Sulphate Factory	8,919,298	5,939,414
Adami Tulu Pesticide Processing Factory	3,142,893	1,125,397
Batu Coustic Soda Factory	1,316,657	1,171,277
Rubber Tree Plantation and Processing	980,622	792,713
	<u>141,146,293</u>	<u>98,948,959</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES OF THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency: Ethiopian Birr**

**12 General and Administrative Expense**

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

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Salaries and wage	182,001,687	192,402,341
Employees benefits	93,482,352	47,962,756
Education & Training	234,237	1,577,474
Electricity & Water	422,254	474,292
Stationery, Printing & Office Supplies	3,981,494	5,581,237
Telephone and postage	2,596,066	2,002,752
Perdiem and travelling	6,471,074	5,595,555
Fuel, repair, and maintenance	50,724,895	45,684,764
Insurance	7,498,968	4,409,204
Depreciation	22,614,055	24,470,874
Medical	4,216,631	625,374
License and registration	77,028	69,965
Municipality tax / land tax	1,895,270	1,817,960
Rent	25,903,969	5,504,065
Entertainment	6,268,213	5,159,486
Workers Subsidy	12,869,890	-
Social Responsibility	18,476,903	14,770,897
Shares of aux.depart.expense	5,029,361	-
Mugher Community school	25,617,050	-
Land Rent	1,328,910	1,328,910
Board members allowance	518,500	431,000
Professional fee	486,196	304,583
Advertising	4,189,077	291,665
Consultancy	311,523	-
Cleaning and sanitation	732,589	449,029
Donation	2,865,249	1,619,933
Severance expense	1,193,901	248,689
Annual leave expense	1,124,955	932,881
Penalty Expenses	1,054,840	521,275
Expected credit loss/ stock obsolescence	17,881,257	51,942,282
Legal expense	88,635	632,158
Miscellaneous	10,056,256	14,459,317
	<b><u>512,213,285</u></b>	<b><u>431,270,716</u></b>



**CHEMICAL INDUSTRY CORPORATION**  
**NOTES OF THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

**12.1 General and administration expenses by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	57,368,411	50,448,483
Muger Cement Factory	335,834,629	280,699,286
Awash Melkassa Aluminum Sulphate Factory	51,090,566	35,955,368
Adami Tulu Pesticide Processing Factory	40,189,616	39,532,694
Batu Coustic Soda Factory	13,118,249	13,825,519
Rubber Tree Plantation and Processing	14,611,814	10,809,367
	<u>512,213,285</u>	<u>431,270,716</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 2024.

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Interest expense	9,408,800	9,292,050
Rate fluctuation	18,246	285
Bank Service Charges	290,475	3,238,023
	<u>9,717,521</u>	<u>12,530,358</u>

**13.1 Finance costs by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	17,875	5,772
Muger Cement Factory	110,653	6,697,914
Awash Melkassa Aluminum Sulphate Factory	1,502,126	1,730,539
Adami Tulu Pesticide Processing Factory	7,109,411	4,016,696
Batu Coustic Soda Factory	976,810	76,180
Rubber Tree Plantation and Processing	646	3,258
	<u>9,717,521</u>	<u>12,530,358</u>

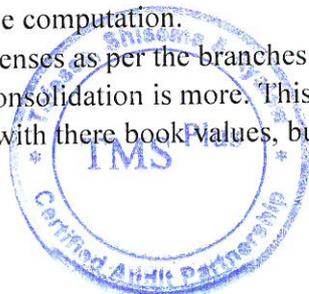
**14 Tax Expense**

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.

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Deferred Tax expense	(127,117,456)	3,738,440
	<u>(127,117,456)</u>	<u>3,738,440</u>

Refer note number 27 for the computation.

Note:- The deferred tax expenses as per the branches report and consolidation report have a difference of Birr 98,040,500.55 the consolidation is more. This difference is because of when the corporation merge , the branches come with there book values, but the tax authority argues that it should be in the cost not Book value.



**CHEMICAL INDUSTRY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

Currency: Ethiopian Birr

**15 Property, Plant and Equipment**

	Balance at 1 July 2023	Additions	Transfer /Disposal	Balance at 30 June 2024
<b>COST</b>				
Land Holding Area	2,892,430,014	-	-	2,892,430,014
Right of Use of Land	156,981,291	-	-	156,981,291
Land Improvement	28,639,415	-	-	28,639,415
Dams - Embankment Dam	125,695,621	-	-	125,695,621
Building	2,575,331,053	-	-	2,575,331,053
Rubber plant	163,609,223	-	-	163,609,223
Plant Machinery	6,633,868,749	237,832,467	517,177	6,872,218,392
Office furniture	15,087,699	406,310	-	15,494,008
Office equipment	18,053,093	4,885,551	(45,083)	22,893,560
Specialized Equipment	86,477,289	9,726,193	(25,652)	96,177,830
Network & Utility Equipment	16,923,343	-	-	16,923,343
Vehicles licensed	265,902,515	52,590,008	-	318,492,523
Vehicles Plant	534,101,210	37,907,212	-	572,008,422
Tools	20,303,494	1,507,512	(9,433,739)	12,377,266
Work shop equipment	4,287,077	97,775	-	4,384,853
House Hold Furniture	1,348,696	72,006	46,200	1,466,902
Fixed Asset in Store	95,756,887	15,022,602	(16,000)	110,763,489
<b>Total Cost</b>	<b>13,634,796,669</b>	<b>360,047,635</b>	<b>(8,957,098)</b>	<b>13,985,887,206</b>
<b>DEPRECIATION</b>				
Land Holding Area	36,009,527	4,234,466	-	40,243,994
Right of Use of Land	9,849,602	1,409,184	-	11,258,787
Land Improvement	55,059,037	7,939,606	-	62,998,643
Dams - Embankment Dam	17,438,813	2,498,860	-	19,937,673
Building	352,153,086	50,466,809	-	402,619,895
Rubber plant	28,032,812	4,226,082	-	32,258,894
Plant Machinery	629,561,646	83,128,773	83,288	712,773,707
Office furniture	7,396,017	686,156	-	8,082,173
Office equipment	4,581,975	1,576,156	(9,388)	6,148,742
Specialized Equipment	26,378,155	4,118,556	(2,565)	30,494,145
Network & Utility Equipment	5,445,833	863,192	-	6,309,025
Vehicles licensed	62,154,532	7,290,318	-	69,444,850
Vehicles Plant	8,990,827	1,190,116	-	10,180,943
Tools	12,856,184	2,118,415	-	14,974,599
Work shop equipment	1,802,772	346,237	-	2,149,009
House Hold Furniture	414,397	71,142	-	485,539
Fixed Asset in Store	11,198,144	1,714,828	(96,142)	12,816,830
<b>Total Depreciation</b>	<b>1,269,323,357</b>	<b>173,878,898</b>	<b>(24,807)</b>	<b>1,443,177,448</b>
<b>Net Book Value</b>	<b>12,365,473,312</b>			<b>12,542,709,758</b>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**Currency - Ethiopian Birr**

**15.1 PPE by branches**

	<u>30-Jun-24</u>	<u>30-Jun-23</u>
Head office	23,967,446	24,009,838
Muger Cement Factory	10,171,892,684	10,044,396,973
Awash Melkassa Aluminum Sulphate Factory	695,386,575	699,172,652
Adami Tulu Pesticide Processing Factory	190,504,383	190,452,054
Batu Caustic Soda Factory	1,307,007,269	1,248,473,657
Rubber Tree Plantation and Processing	153,951,401	158,968,138
	<u>12,542,709,758</u>	<u>12,365,473,312</u>

**16 Investment**

	<u>30-Jun-24</u>	<u>30-Jun-23</u>
Government bond - Adami Tulu	-	-
Government bond - Awash Melkassa	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

**17 Construction in progress**

	<u>30-Jun-24</u>	<u>30-Jun-23</u>
Head office	141,598,806	138,751,050
Muger Cement Factory	26,861,561	10,099,258
Awash Melkassa Aluminum Sulphate Factory	-	-
Adami Tulu Pesticide Processing Factory	1,333,470	1,333,470
Batu Caustic Soda Factory	-	18,991,640
Rubber Tree Plantation and Processing	60,652,705	27,110,430
	<u>230,446,541</u>	<u>196,285,848</u>

**18 Non - current assets (NCA) Held for Sale**

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

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
NCA Held for sale	-	509,413
	<u>-</u>	<u>509,413</u>

**18.1 NCA by branches**

Muger Cement Factory	-	-
Awash Melkassa Aluminum Sulphate Factory	-	-
Adami Tulu Pesticide Processing Factory	-	509,413
Batu Caustic Soda Factory	-	-
Rubber Tree Plantation and Processing	-	-
	<u>-</u>	<u>509,413</u>



**CHEMICAL INDUSTRY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2024**

**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-2024</u>	<u>30-Jun-2023</u>
Finished Goods	272,841,059	139,187,837
Work In process	170,050,006	108,565,591
Raw Material	486,256,437	383,757,550
Stationary materials	2,866,532	5,862,882
Laboratory materials	1,335,321	1,335,321
Rubber plant nurseries	2,263,485	2,263,485
Tools	-	-
Packing Materials	54,073,678	29,892,891
Spare Parts	1,091,915,937	970,663,471
Indirect materials	18,063,067	19,536,243
Books and Periodicals	433,762	433,762
Other Materials	555,469,511	508,294,278
Goods in Transit	513,445,371	194,641,603
Allowance for Stock Impairment	(45,557,091)	(42,149,884)
	<u><u>3,123,457,075</u></u>	<u><u>2,322,285,030</u></u>

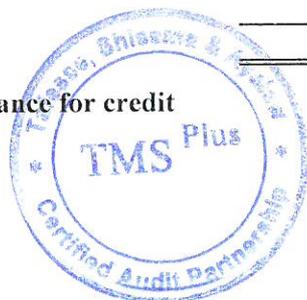
**19.1 Inventories by branches**

Head office	886,171	3,663,582
Muger Cement Factory	2,157,024,337	1,651,619,091
Awash Melkassa Aluminum Sulphate Factory	511,897,961	339,251,993
Adami Tulu Pesticide Processing Factory	412,011,754	289,881,267
Batu Caustic Soda Factory	27,970,744	16,513,053
Rubber Tree Plantation and Processing	13,666,108	21,356,045
	<u><u>3,123,457,075</u></u>	<u><u>2,322,285,031</u></u>

**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-2024</u>	<u>30-Jun-2023</u>
Trade	160,749,443 ✓	204,738,952
Staff	11,930,240 ✓	10,228,993
Supplier Advance S	263,893,707 ✓	-
Project receivable	-	40,040,662
Purchase Advance	15,114,161 ✗	-
Deposits	-	-
Salary advance	32,648 ✓	32,648
Creditors with debit balance	-	-
Sundry debtors	13,506,256 ✗	13,429,834
Intra company receivable	1,295,476	-
Provision for Expected Loss	(106,009,451)	(92,795,321)
	<u><u>360,512,481</u></u>	<u><u>175,675,768</u></u>
Current year charge of Allowance for credit	<u>13,214,130</u>	<u>3,637,219</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**20.1 Trade and other receivables by branches**

Head office	1,001,789,135	861,674,921
Muger Cement Factory	645,530,404	185,430,825
Awash Melkassa Aluminum Sulphate Factory	73,033,173	82,080,726
Adami Tulu Pesticide Processing Factory	97,807,648	91,589,389
Batu Caustic Soda Factory	7,693,378	2,929,196
Rubber Tree Plantation and Processing	50,391,364	40,720,391
	<b>1,876,245,102</b>	<b>1,264,425,449</b>

Note:- Trade and other receivables by branch's and consolidation have a difference of Birr 1,517,028,097.32. The difference is Inter branch account balances, when presented in the consolidation its net off figure.

**21 Cash and Cash equivalents**

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

	<b>30-Jun-2024</b>	<b>30-Jun-2023</b>
Cash on hand	38,516	39,239
Cash in Bank	1,088,456,692	662,587,453
	<b>1,088,495,208</b>	<b>662,626,692</b>

**21.1 Cash and bank balances by branches**

Head office	160,264,291	73,918,128
Muger Cement Factory	887,848,757	495,286,855
Awash Melkassa Aluminum Sulphate Factory	9,372,922	18,953,494
Adami Tulu Pesticide Processing Factory	24,948,399	63,655,631
Batu Caustic Soda Factory	3,634,367	3,451,289
Rubber Tree Plantation and Processing	2,426,472	7,361,296
	<b>1,088,495,208</b>	<b>662,626,693</b>

**22 Prepayments**

The Corporation's prepayment are presented here under:

	<b>30-Jun-2024</b>	<b>30-Jun-2023</b>
Prepayments	7,956,098	325,903,781
Deposits	651,896	177,507
	<b>8,607,993</b>	<b>326,081,288</b>

**22.1 Prepayments by branches**

Head office	704,000	96,000
Muger Cement Factory	277,254	299,455,592
Awash Melkassa Aluminum Sulphate Factory	124,166	18,315,825
Adami Tulu Pesticide Processing Factory	7,034,272	8,203,871
Batu Caustic Soda Factory	468,300	10,000
Rubber Tree Plantation and Processing	-	-
	<b>8,607,993</b>	<b>326,081,288</b>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**23 Tax receivable**

The Corporation's prepayment are presented here under:

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Value added tax	35,681,699	40,159,506
Inland authority receivable	-	796,797
Withholding tax	173,067,932	183,631,396
	<u>208,749,632</u>	<u>224,587,699</u>

**23.1 Current tax receivable by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	18,215,131	18,024,273
Muger Cement Factory	170,889,335	180,149,710
Awash Melkassa Aluminum Sulphate Factory	7,756,836	7,815,269
Adami Tulu Pesticide Processing Factory	4,532,465	15,339,009
Batu Caustic Soda Factory	4,971,451	2,795,936
Rubber Tree Plantation and Processing	2,384,414	463,502
	<u>208,749,632</u>	<u>224,587,699</u>

**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:

	<u>30-Jun-24</u>	<u>30-Jun-23</u>
	<u>ETB</u>	<u>ETB</u>
State Paid up Capital	6,596,937,329	5,913,554,840
Contribution Capital	(0)	683,382,489.00
	<u>6,596,937,329</u>	<u>6,596,937,329</u>

**25 Retained earnings**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Balance as at the start of the year	4,203,431,693	4,632,076,569
Profit / loss of the year	1,632,696,542	461,225,151
Current Tax	(583,827,276)	(125,130,929)
Dividend tax paid	(156,451,860)	(56,990,420)
Transfer to capital	-	(683,382,489)
Transfer to legal reserve	-	(16,804,711)
Prior years adjustment	104,071,469	(7,561,478)
<b>Balance as at the end of the year</b>	<u>5,199,920,568</u>	<u>4,203,431,693</u>

Note:- The Retained earning as per the branches report and consolidation report have a difference of Birr 103,950,090.04 the consolidation is less. This difference is because of the branches prior year adjustments presented in statement of changes in equity for the consolidation report, branches record in home office account.



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**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-2024</u>	<u>30-Jun-2023</u>
Commercial Bank of Ethiopia - Head Office	-	
Commercial Bank of Ethiopia - Batu Caustic Soda Factory	9,678,483	10,020,945
Interest on loan	25,926,255	27,650,618
	<u>35,604,739</u>	<u>37,671,563</u>

**26.2 Loan -IDF**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</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**

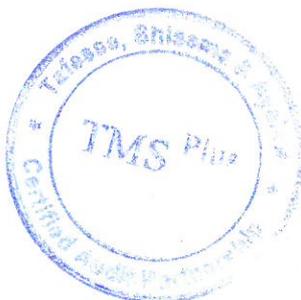
The differed tax liability and asset are computed based on items that result in temporary difference and it is presented here under:

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Deferred tax asset / liability - PPE (27.1)	(3,461,485,990)	(3,321,505,486)
Deferred tax asset / liability -Impairment of inventories (27.2)	13,667,127	12,644,965
Deferred tax asset / liability - Severance payable (27.3)	32,138,865	28,364,059
Deferred tax asset / liability - Annual leave payable (27.4)	31,116,037	27,014,197
Deferred tax asset / liability - Expected credit loss (27.5)	31,802,835	27,838,596
Tax 30%	<u>(3,352,761,125)</u>	<u>(3,225,643,669)</u>

Note:- The deferred tax asset/liability as per the branches report and consolidation report have a difference of Birr 98,040,500.55 the consolidation is more. This difference is because of when the corporation Margi , the branches come with there book values, but the tax authority argues that it should be in the cost not Book value.

**27.1 Differed Income Tax Liability or Asset (PPE)**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Tax base	1,004,423,124	1,332,331,546
Accounting base	12,542,709,758	12,404,016,498
Temporary difference	<u>(11,538,286,634)</u>	<u>(11,071,684,952)</u>
Tax 30%	<u>(3,461,485,990)</u>	<u>3,321,505,486</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**27.2 Differed Income Tax Liability or Asset (Impairment of inventories)**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Tax base	-	-
Accounting base	45,557,091	42,059,789
Temporary difference	<u>45,557,091</u>	<u>(42,059,789)</u>
Tax 30%	<u>13,667,127</u>	<u>12,617,937</u>

**27.3 Differed Income Tax Liability or Asset (Severance payable)**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Tax base	-	-
Accounting base	107,129,550	94,546,864
Temporary difference	<u>107,129,550</u>	<u>(94,546,864)</u>
Tax 30%	<u>32,138,865</u>	<u>28,364,059</u>

**27.4 Differed Income Tax Liability or Asset (Annual leave payable)**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Tax base	-	-
Accounting base	103,720,125	90,047,322
Temporary difference	<u>103,720,125</u>	<u>(90,047,322)</u>
Tax 30%	<u>31,116,037</u>	<u>27,014,197</u>

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

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Tax base	-	-
Accounting base	106,009,451	92,795,321
Temporary difference	<u>106,009,451</u>	<u>92,795,321</u>
Tax 30%	<u>31,802,835</u>	<u>27,838,596</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-2024</u>	<u>30-Jun-2023</u>
Opening balance	94,546,864	94,546,864
Current service costs	14,835,861	-
Payments during the year	<u>(2,253,175)</u>	<u>-</u>
	<u>107,129,550</u>	<u>94,546,864</u>
Change to current year profit or loss statement	<u>12,582,686</u>	<u>13,191,933</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**28.2 Accrued severance pay by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	2,460,242	2,096,696
Muger Cement Factory	92,521,473	79,112,584
Awash Melkassa Aluminum Sulphate Factory	4,761,821	4,652,253
Adami Tulu Pesticide Processing Factory	1,761,636	1,657,139
Batu Caustic Soda Factory	592,843	1,849,367
Rubber Tree Plantation and Processing	5,031,536	5,178,825
	<u>107,129,551</u>	<u>94,546,864</u>

**28.3 Accrued annual leave**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Opening balances	90,047,322	90,047,322
Current services costs	16,677,104	-
Payments during the year	(3,004,301)	-
	<u>103,720,125</u>	<u>90,047,322</u>
Change to current year profit or loss statement	<u>13,672,803</u>	<u>16,773,171</u>

**28.3.1 Accrued annual leave by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	4,891,341	4,483,177
Muger Cement Factory	88,588,588	75,455,328
Awash Melkassa Aluminum Sulphate Factory	6,066,981	4,879,091
Adami Tulu Pesticide Processing Factory	2,241,211	1,833,531
Batu Caustic Soda Factory	1,438,889	1,573,284
Rubber Tree Plantation and Processing	493,115	1,822,910
	<u>103,720,124</u>	<u>90,047,321</u>

**29 Lease Liabilities**

**29.1 Current portion - Muger Cement Factory**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</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-2024</u>	<u>30-Jun-2023</u>
Non Current Lease Liability	25,262,201	26,298,919
	<u>25,262,201</u>	<u>26,298,919</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**30 Current Tax Liabilities**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Value added tax (VAT)	83,151,641	56,472,650
Withholding Tax	7,425,528	3,711,162
Employees income tax	17,798,663	17,304,229
Sales Tax	-	830,711
Standardization Tax	-	28,999,301
Cost sharing	11,582	-
Other Taxes	985,523	8,938
	<u>109,372,936</u>	<u>107,326,991</u>

**30.1 Current tax liabilities by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	795,552	686,072
Muger Cement Factory	101,838,799	102,756,081
Awash Melkassa Aluminum Sulphate Factory	1,335,335	1,206,383
Adami Tulu Pesticide Processing Factory	1,486,784	1,041,986
Batu Caustic Soda Factory	2,704,002	1,032,376
Rubber Tree Plantation and Processing	1,212,464	604,093
	<u>109,372,936</u>	<u>107,326,991</u>

**31 Accrued Liabilities**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Interest Payable	-	2,235,069
Rent payable	-	3,618,369
Salaries and wages	25,311,381	54,729,607
Professional fees	222,435	79,000
Transport	214,679	14,172,871
Utilities	14,144,558	-
Bonus	127,040,099	858,876
Board fee	20,000	38,000
Others accrued liability	14,511,587	114,809,038
	<u>181,464,738</u>	<u>190,540,830</u>

**31.1 Accrued liabilities by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	3,623,033	1,757,588
Muger Cement Factory	163,793,325	184,627,748
Awash Melkassa Aluminum Sulphate Factory	9,246,397	3,639,135
Adami Tulu Pesticide Processing Factory	4,740,418	-
Batu Caustic Soda Factory	-	516,360
Rubber Tree Plantation and Processing	61,565	-
	<u>181,464,738</u>	<u>190,540,830</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**32 Unearned Revenue**

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

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Unearned Revenue	438,110,966	620,165,637
Addis Ababa	-	-
	<u>438,110,966</u>	<u>620,165,637</u>

**33 Trade and Other Payables**

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

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Trade	59,982,120	100,684,630
Cost Sharing Payable	43,689	40,075
Pension Contribution	6,241,051	5,254,843
Royalty payable from sales of Raw Material	747,744	747,744
Staff payable	1,758,891	7,729,298
Healthy insurance contribution	99,118	99,118
Standardized Service charge	-	-
Sales tax and other tax	1,273,567	-
Performance bond - Batu	-	65,612
Provident Fund	212,012	212,012
Custom deposit	95,748,392	4,800,000
Debtors with credit balance	905,238	-
Interbank contribution	23,005,253	22,978,215
Sundry debtors	110,239,441	185,797,348
Note (33.1)	300,256,517	328,408,896
Intercompany payable account(Note 33.2)	-	144,664
	<u>300,256,517</u>	<u>328,553,560</u>

**33.1 Trade and other Payables by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	23,424,100	23,332,648
Muger Cement Factory	194,146,313	214,381,784
Awash Melkassa Aluminum Sulphate Factory	42,400,472	13,207,454
Adami Tulu Pesticide Processing Factory	27,988,462	42,090,423
Batu Caustic Soda Factory	10,199,553	33,675,136
Rubber Tree Plantation and Processing	2,097,617	1,721,451
	<u>300,256,517</u>	<u>328,408,896</u>

**33.2 Intra-company Payables by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	-	144,664
	<u>-</u>	<u>144,664</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**34 Overdraft**

There is an overdraft facility at Commercial Bank of Ethiopia.

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Overdraft	44,235,103	11,998,331
	<u>44,235,103</u>	<u>11,998,331</u>

**34.1 Overdraft facility by branches**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Head office	-	-
Muger Cement Factory	-	-
Awash Melkassa Aluminum Sulphate Factory	12,867,698	11,998,331
Adami Tulu Pesticide Processing Factory	31,367,405	-
Batu Caustic Soda Factory	-	-
Rubber Tree Plantation and Processing	-	-
	<u>44,235,102.56</u>	<u>11,998,331</u>

**35 Provision for profit tax**

**35.1 Profit tax liability**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Balance brought forward	128,869,369	60,892,558
Adjustment of opening balance	-	-
Settlement during the year	(82,640,258)	(60,892,558)
Profit tax settlement -WHT	(46,229,111)	-
Current year provision - Below	456,709,819	128,869,369
	<u>456,709,820</u>	<u>128,869,369</u>



**CHEMICAL INDUSTRY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**35.2 Provision for profit tax computation**

	<u>30-Jun-2024</u>	<u>30-Jun-2023</u>
Profit / loss of the year	1,632,696,542	455,581,960
Less - Other income taxed by ERCA As per ERCA refer No.02/5.2/7257/16 Dated 29/04/2016 E.C Tax Assessment decision	(28,999,301)	-
Add - Disallowable expenses for tax purposes		
Donation and contribution	2,865,249	1,619,933
Penalties	1,054,840	729,531
Legal fee	94,778.95	-
Entertainment	6,950,671	5,411,741
	<u>1,614,662,779</u>	<u>463,343,165</u>
Adjustments for IFRS entries		
Expected credit loss and Stock impairment	17,881,257	51,942,282
Annual leave and severance provisions	26,255,489	29,965,103
Depreciation expense for financial reporting	173,878,898	170,283,107
	<u>1,832,678,424</u>	<u>715,533,657</u>
Less		
Severance and annual leave paid in cash	(1,601,220)	(990,784)
Bank interest income taxed at source	309,370	209,160
Depreciation expense for income tax purposes	(309,020,509)	(285,187,472)
	<u>1,522,366,065</u>	<u>429,564,561</u>
<b>Net profit for income tax purposes</b>	<u><u>456,709,819</u></u>	<u><u>128,869,368</u></u>

